

WASHINGTON STATE GAMBLING COMMISSION

MINUTES COMMISSION MEETING THURSDAY, JULY 10, 1997

Chairman Ludwig called the meeting to order at 1:30 p.m. at the Silverdale on the Bay Hotel, in Silverdale, Washington. He said this is his first meeting as chairman. He alerted the audience to a couple of changes; the addition of the manufacturers license approval for Business Computer Services and that executive session today and tomorrow will also include interviews for the director position, which will be vacated by outgoing Director Frank Miller at the end of September.

MEMBERS PRESENT: CURTIS LUDWIG, Chairman; LIZ McLAUGHLIN, Vice Chair; EDWARD HEAVEY; MARSHALL FORREST and PATRICIA L. HERBOLD; and Ex Officio Members SENATOR MARGARITA PRENTICE and REPRESENTATIVE RUTH FISHER

OTHERS PRESENT: FRANK MILLER, Director;
BEN BISHOP, Deputy Director;
SHARON TOLTON, Assistant Director, Special Operations;
CARRIE TELLEFSON, Special Assistant, Public Affairs;
SHERRI WINSLOW, Assistant Director, Field Operations;
CALLY CASS-HEALY, Assistant Director, Licensing Operations;
JONATHAN McCOY, Assistant Attorney General;
ELMER HOLLAND, Special Agent, Financial Investigations Unit;
SONJA DOLSON, Special Agent, Field Operations; and
SUSAN GREEN, Executive Assistant.

Chairman Ludwig introduced the Washington State Gambling Commission (WSGC) staff and Commission members present. He noted that Senator Margarita Prentice and Representative Ruth Fisher are the two out of four ex officio members who regularly attend the Commission meetings.

Senator Prentice noted that Rep. Karen Schmidt, another ex officio member, had spoken to her about being out of town and unable to attend this meeting today. The Senate Republicans will be appointing another ex officio member to replace Senator Newhouse, their current ex officio member.

STAFF REPORT

LAW ENFORCEMENT INTELLIGENCE UNIT (LEIU)

Ms. Tolton said that Commissioner McLaughlin had attended a lengthy, detailed presentation regarding LEIU at the agency conference in Silverdale few weeks ago. She referred the commissioners to Tab No. 1 in their hand out packet toward the back of the notebook where there was information about LEIU. She said this organization was established in 1956 in San Francisco, California.

The LEIU shares intelligence information with approximately 270 law enforcement agencies throughout the United States, Canada, Australia, and Great Britain. Over the years it has provided valuable information that has resulted in successful organized crime and corruption investigations. She said that one of the aspects of the LEIU the agency has utilized recently has been the Gambling Index. She said Assistant Director Cass-Healy's FIU Unit, with whom she works closely, would attest to this. The Gambling Index allows the WSGC to have direct electronic access when they are checking and doing background investigations on individuals, companies and corporations. The WSGC does not accept other states' or other organizations' background checks in other jurisdictions throughout the country; however, they provide a double check on information the applicant has provided to the WSGC. The WSGC has downloaded most of the information received into the system and she thinks the WSGC is one of four major gambling regulatory agencies that provides most of the information to the

rest of the country.

The WSGC became a member of this organization after a lot of hard work. In 1994, the agency went through a difficult application process – it was their second attempt – there was some concern by the LEIU about allowing limited jurisdiction agencies into this group. However, thanks to the support of Director Miller and some staff persistence, the WSGC was finally accepted into the group. In order to be admitted into this organization, the applicant must have an active criminal intelligence unit, which the WSGC now has and must comply with all of the LEIU records standards. The sharing of intelligence information has traditionally been very hard for law enforcement agencies to do. The WSGC has always had a tendency to covet its own information in a special file, usually a locked drawer, and the LEIU has really promoted the concept of sharing information so that everybody can benefit from the use of it.

The other five agencies in Washington State that participate in this national organization are the Seattle Police Department, King County Police, Everett Police Department, the Washington State Patrol Organized Crime Unit, and the Spokane Police Department and County, which have a combined criminal intelligence unit in Eastern Washington and are the newest member. All of these agencies are participating with the WSGC, which is the lead agency in hosting a gambling conference through LEIU in September in Seattle. She referred the commissioners to some information in their packet relative to that. The conference will be held September 3-5 and if any of the commissioners wish to attend any portion of that, the agenda and speakers are there for them to review and she would be happy to make sure that they have access to the conference. She said it was their first time planning an event and it is supposed to be a no-frills conference. The LEIU usually has a big conference every year that incorporates everything and not just gambling; this is the third year in a row that they have also had a semi-annual “mini” conference focused on gambling. Director Miller will be the keynote speaker in September.

The main focus is on how important getting background information is as a first line of defense in keeping the criminal element out of authorized gambling activities. There will be a presentation by the IRS on bank secrecy and tribal casinos. Jonathan McCoy will help with an overall update on illegal activity across the country and on Internet gambling, which is of interest to many jurisdictions across the country and the world, and some information about slot-cheats regarding gambling devices, scams and frauds. The main portion of the conference is focused toward the intelligence exchange, which is when agencies like WSGC will give a briefing of 10 to 20 minutes about what is going on in their own area. She said during breaks, at the end of the conference and during the intelligence exchange, there is a lot of networking and interaction that goes on. It is sometimes hard to get people to come up to the podium and talk about these things, but once a few agencies have done that, it becomes a tremendous resource.

She said LEIU has also started to utilize the WSGC in a lot of ways. The WSGC gets a lot of calls within the division from LEIU representatives with regard to gambling regulation as a whole. There are many states that do not have an agency like the WSGC that oversees this criminal activity in local jurisdictions.

Director Miller reiterated that agencies cannot just join this organization, they have to be selected; it is very exclusive. He and the staff are proud of being a member. He said he thinks there are only four gaming agencies in the country if he is not mistaken – Nevada, New Jersey, Washington and Colorado. He recognized Ms. Tolton for all the work she did to get the agency admitted. He said the WSGC gave her the opportunity and she pursued it for the agency. He thinks that is something that is very important to note. It has been a benefit to the agency and is a real feather in its cap to have this membership.

Commissioner McLaughlin said that Ms. Tolton was referring to a video that showed at the retreat for the gambling staff last month and she believes LEIU ought to hire Sharon to do a better video.

Commissioner Ludwig asked if there were any questions and there were none. He thanked Ms. Tolton for her presentation.

LICENSE APPROVALS

NEW LICENSES, CHANGES, WITHDRAWALS AND TRIBAL CERTIFICATIONS

Chairman Ludwig introduced item no. 2 that was under the second tab in the commissioners' notebooks. He said the commissioners had had an opportunity to look over the list prior to today. He said they were all licenses, changes, and tribal certifications that staff has investigated and recommended for approval.

Commissioner McLaughlin moved that the Commission approve the new licenses, changes, withdrawals, and tribal certifications, as listed on pages 1-26; **Commissioner Herbold** seconded the motion. *Vote taken; motion carried with five aye votes.*

MANUFACTURER LICENSE APPROVAL

BUSINESS COMPUTER SERVICES, Bremerton

Chairman Ludwig introduced agenda item no. 2(a), which is under tab no. 6 in the packet.

Mr. Holland said he would discuss the licensing investigations for Business Computer Services and that the owners are present. He said Business Computer Services has applied for a Class B manufacturing license for sales in the state of Washington. The company is owned and operated by William and Jane Hanson. The company intends to sell a computer software program called "Crapstat" to Washington casinos. "Crapstat" is a promotional and statistical program for the dice game of craps. It maintains a database of the dice rolls for each player. At the end of the promotion period, a summary report is printed that identifies the highest player's score and provides a statistical analysis of dice rolls during the promotion. The player with the highest score wins the promotion and is awarded a prize. The staff's investigation included a June 2, 1997 visit by Mr. Holland. The investigation covered the company's patent application, tax returns, company check registers, and bank statements to verify ownership and to determine if any possible material transactions existed with third parties. There was no indication of hidden ownership or the presence of significant influence of outside parties. Background checks were performed on the Hansons and there was no adverse information found.

Based on the results of the investigation, the staff recommends licensure of Business Computer Services.

Chairman Ludwig asked if this was a computer game that worked like the game of craps. **Mr. Holland** said no, it is a data base and it maintains a score sheet on the roll of dice that each player rolls, so that information is stored and collected on each player. The player with the highest points at the end of the promotion period is awarded a prize.

Commissioner McLaughlin asked if it isn't a way to teach you to roll the dice differently. **Mr. Holland** said it was nothing like that.

Sen. Prentice asked what this would be used for then. **Mr. Holland** said he thought this was to entice players into the game of craps for a promotional period. The idea is to put a little bit more excitement into the game for the player. He said that was his understanding of it in his discussion with Mr. Hanson.

Director Miller said craps was traditionally a game that has been hard to attract new players. They are always looking for new players and this is a way to get people to play and promote their way and they keep track of how well each player does. It can also be an intimidating game if the player does not know how to play.

Sen. Prentice asked how it is done otherwise. **Director Miller** said the players just take lessons or whatever they do, or watch in their hotel room or get a freebie at the casino. This is just a new way to entice people to play as a promotional opportunity.

Chairman Ludwig asked if Mr. Hanson would like to address the Commission.

William Hanson, one of the owners of Business Computers Services, said every other casino game has tournaments and is already computerized except craps. Mr. Hanson began to work on how it could be done. He

said Crapstat allows for an ongoing tournament. It adds a new dimension to the game by allowing players to compete against one another instead of strictly against the house.

Commissioner McLaughlin asked if this was at the end of day or at the end of a period of time. **Mr. Hanson** said the promotion periods he had developed so far are based on hourly, daily, weekly, and monthly -- whatever the casino desires to set up.

Chairman Ludwig asked Mr. Hanson how he thought this would be received by the tribal casinos. **Mr. Hanson** said he had had no indication about their reception to this. His only feeling on it was that if he did not think it was worth doing, he would not have worked so hard developing it. He said it is extremely interesting; it might work or it might not.

Commissioner McLaughlin asked how the game worked. **Mr. Hanson** said the box man enters the dice rolls on a keypad. All of the rolls are displayed on a large screen display.

Director Miller said it is a tournament played over a period of time for additional prizes. He asked if the players contribute to participate. **Mr. Hanson** said he is building in that option now. He said it will allow the casino to go either direction -- either to have no charge for the player or to go ahead and charge the player a dollar, two dollars, or whatever.

Commissioner Herbold moved that Business Computer Services be approved for licensing as a manufacturer of gaming equipment. **Commissioner Forrest** seconded the motion.

Commissioner Laughlin asked if the Commission approved this, would it mean that they are licensing Crapstat or does it mean that they are just getting a license to do that?

Chairman Ludwig asked Mr. McCoy to confirm his understanding that their vote in favor would mean that they are getting a license to manufacture the game Crapstat. He received an affirmative nod from Mr. McCoy and then asked for public comments. There being none he called for a vote. *Vote taken; motion carried with five aye votes.*

Chairman Ludwig congratulated Mr. and Mrs. Hanson and thanked Mr. Holland for his presentation.

PULL TAB DISPENSER APPROVAL

STUART ENTERTAINMENT d/b/a BINGO KING

Chairman Ludwig said item no. 3 is up for discussion.

Ms. Tellefson introduced Sonja Dolson from the Field Operations staff, who will present Bingo King and its machine to the Commission.

Ms. Dolson said she would give a brief overview of what the Gold Crown dispensing device does and then a representative from Bingo King, Mr. Gary Loebig, will give a demonstration and answer questions about the device. She said the Gold Crown pull tab dispensing device is different from other pull tab dispensing devices already approved for sale in that it uses a barcode to read the pull tabs as they are dispensed from the machine. When the pull tabs are dispensed, a barcode on the bottom of the pull tab is read and the pull tabs displayed on the monitor and the symbols are displayed as well. Then the player receives a paper ticket so they can either open the tab or they can push a button on the device that will display the ticket on the screen. If a player receives a winning pull tab, they must go to an employee to redeem the ticket. The machine does not issue credits. Staff reviewed the dispensing device and completed a checklist, which everybody has a copy of, and they found that it met all of the requirements in the checklist. Although this dispensing device meets all of the requirements, they did do initial work because of the new technology. Some operational issues were addressed and dealt with the manufacturer and they will continue to work with the manufacturer to enhance the product in the future. The staff recommends approval of the dispensing device.

Gary Loebig, president of Bingo King, gave a demonstration of how the dispensing device works. He thanked the commissioners for the opportunity to address them regarding the dispenser. He introduced his associate, Troy Reynolds, as the director of manufacturing and ticket operations at their Lynwood plant. He then led the commissioners through what the machine does and why it is a little bit different than other dispensers they have seen and why it is the same. He said the dispensing unit uses the same tickets as any other tickets that are sold in the state of Washington. They are designed slightly different, but it is the same type of ticket – it uses a flare, ticket manufacturing processes are the same, it meets all of the Washington State requirements for tickets as well as NAGRA and NAFTM standards for tickets. Floor workers can sell the tickets if that is allowed in the jurisdiction. The tickets can be sold from a fishbowl or be dispensed from machines and, in this case, they can dispense them from the demonstration machine also. The demo he was using has a video unit and musical tones to make it more appealing. The ticket is opened once it is dispensed, and if a player wants to redeem the ticket, he must take it to the floor worker to have it redeemed. The machine gives no credits other than for the money put into the machine. All the machine does is increase the interactivity of the player with the game of pull tabs and it makes it perhaps a little more fun, may attract players to the charity or to the operation and encourage them to spend more money at that facility.

Mr. Loebig said the machine also dispenses any manufacturer's tickets at this point; however, because there are certain features that the machine requires, those tickets will not activate certain features such as the screen display. He then asked Mr. Reynolds to take off the hood. The display enhances the game for the player because the player can open the ticket on the screen. He thinks it will encourage playing in certain facilities. The machine is loaded like a traditional pull tab dispensing unit. Tickets are loaded into six dispensing mechanisms. There are some special security devices on the unit that they think will help the operator of the unit pay for the unit itself in the reduced loss of tickets or money because of the tracking features. The accounting screen will track for the operator in both a periodic meter, which is weekly or monthly, and a permanent meter that takes a special code to roll over. It keeps track for the operator the amount of dollars in and the amount of credits those are converted to. So, if a player puts in a dollar, they get four quarter credits if it is quarter tickets. It differentiates between money and credits; it keeps track of the games pull tabs dispensed; it keeps track of the number by dollar amount of top tier winners at each level of winners dispensed; it keeps track of the total winnings dispensed, total tickets dispensed, the number of times the scanner misreads a ticket and therefore dispenses a ticket without putting it up on the screen. Conversely, it will also keep track of tickets if they are read without being dispensed. It also has a secondary screen that keeps track of door openings, both the main door for access to pull tab dispensing mechanisms as well as the bill acceptor unit where the money is removed. The machine can be maintained without ever accessing the interior because of the exterior security keys and the keys into the machine. There are three other keys that also activate the machine and one allows entrance into the CPU, one also allows entry into the features of the machine.

Mr. Loebig showed the commissioners how the machine currently allows the operator to turn the count-down meter on the screen on or off. It allows the operator to enter the number of the pull tabs. To set the graphics this machine has the capability to put five different sets of symbols into the machine – five different families of tickets. It allows the serial number to be registered, allows an amount to be set where the pay amount is so that if the operator wants to have the machine freeze with a certain dollar amount dispensed, it will freeze and therefore cannot be played until the operator resets it. For example, the IRS requires a slip to be filled out for certain pay out amounts. The operator could set this at that pay out amount so he knows that he needs to collect that data. In addition, the volume can be set on the machine and the idle screen background colors can be changed. It gives the operator a way to customize the machine.

Mr. Loebig said the security feature, as Ms. Dolson explained, is activated by a barcode. The way they have designed it and envision the machine is that when a pull tab is purchased by the operator they also receive an electronic key. The electronic key fits a receptacle in the machine and electronically downloads the serial number, the number of tickets and pertinent game information. As it downloads, it erases itself so the key cannot be used again. The key is recyclable, however, by fitting the key into the receptacle and it automatically downloads. There is a computer chip inside. It is some of the latest technology and enhances the security of the machine. The dispensing mechanism has no random number generators in it and dispenses sequentially. The light bar on top is designed to look a little bit like an amusement machine to attract players but also utilizes the white light to attract the operator to a problem, such as if there is a ticket stuck or the machine is running out of

tickets. There are six dispensers in this unit. If one dispenser goes empty, it then proceeds to pull tickets out of the other five and it will signal the operator that there is a problem with one of the dispensing mechanisms. The blue light indicates the player has a winner so the operators are aware there is a winner on the machine. The red light indicates if the machine has been accessed – if any of the doors are open or any of the features are being accessed.

Mr. Loebig then demonstrated another two tickets being dispensed. Mr. Reynolds opened all the windows at once, but it is also possible to open each window individually. As Mr. Reynolds continued to operate the machine, a winner finally was produced with the machine responding with lots of musical accompaniment. Mr. Loebig said he thought the charities and the commercial operators in the state would find that this helps the competitive nature of their business and should bring them a little farther along on the technological advancement line. He said he had been describing the mechanism in general and there is a lot more to it. He asked if there were questions.

Commissioner Herbold asked if the pull tabs are dispensed sequentially and not randomly. She said they had had some earlier discussions about the necessity of thoroughly mixing pull tabs to make sure there is not a fix-in on the arrangement. She wondered how this machine would overcome that problem.

Director Miller said that they would still be required under the rules to take them and load them in different ways. How this device works is that a player has no way of knowing which row the next ticket is coming from; it just comes sequentially. Since the player cannot see the tickets, it does away with any ability to manipulate, but the operator is still required to mix the tickets when they put them in by grabbing them out of the box. There is also the requirement that it show the number of tickets available to the player. It actually counts down, which is required under all of the new dispensing devices, and it also tells how many prizes are left and available for the individual to win. That is a real breakthrough. He said they met with Bingo King representatives about a month ago, after making the required additional improvements, and then last month they went back and secured the barcode reader so someone cannot get to it any more. It is absolutely secure. They put in software that now shows the player how many winners are available and how many have been won, which is a great regulatory feature for agency staff. Now when they go out there and look and see that some of the winners have been won, they expect to see them in a drawer somewhere and not in back of the machine. When the tickets go through, the machine destroys the ticket so it cannot be played through again. The key was also created in the last month.

Director Miller wanted the commissioners to know that the staff has done a lot in the last five weeks to get to where the agency wanted them to be. He said the agency's review is relatively simple under the rule. What makes it more difficult is ensuring that this machine does not cross the line to an illegal gambling device. There is no random number generator, as Mr. Loebig said, which is an element of the slot machine. The Gold Crown device does dispense a completed product, so the staff feels that it does not cross that line into being a slot machine, which is why they support its approval.

Chairman Ludwig asked if it requires the player to press something to show it on the screen. **Director Miller** said it will be required under agency rule that when it is in play it must at all times show how many tickets are left for play. **Chairman Ludwig** asked where that would be shown on the screen and if that takes the place of the visibility of the jar. **Director Miller** said, yes. The old rules said that all tickets must be available to the player. He said that even before these machines, there were other ones that were coming forward without visible tickets and the agency required them to have a meter there that shows the player how many tickets are left and how many winners are left.

Mr. Loebig said that they do not have a flare canister on the device at this time, but the flare would sit to the side or on top of the machine.

Commissioner Heavey asked if the machine could be programmed to respond to a button that a player would press that would project onto the screen how many winners are left and what the winners are.

Mr. Loebig answered that it is on the screen before them below the prize amounts. It is hard to see, so they are going to make them larger. This machine is still in the engineering stage, but under the dollar amounts next to the right of the symbols on his right it says there are 9,000 winners left at that level. The very top ticket shows him

that there is one winning ticket left in that amount. It matches the face of the ticket.

Commissioner McLaughlin asked how many tickets are in the machine so it can give out 10,000 one dollars, 10,000 two dollars. **Mr. Loebig** said this is not a Washington typical game in the sense of ticket count; this is a 100,000 count game and would not be legal in Washington. He encouraged the commissioners to get close to the machine and use it. He said the countdown feature on each of the symbols is present now.

Director Miller said that was added at the staff's request. He said there was a real security reason for that and that achieves their objective. **Mr. Loebig** said the operator would still have to mark off the flare. They did not intend to replace the flare, but just use this as an additional aid.

Chairman Ludwig said he understands from the hand out that a player is not required to use the screen – the player just pushes a button and gets a ticket and opens it himself. **Mr. Loebig** said that was correct. He said that on the glass of the machine it says that if there is any dispute between the screen and ticket, the ticket overrides the screen.

Commissioner McLaughlin said this is an attractive machine.

Director Miller said the next step would be development, if they can, of individual accounting per game. He thinks they are close to begin to be able to do that. That will bring pull tabs to the extreme where they were a few years ago. Someday players can go in and push a button and see what game number it is and what was played and what was won and have it all done for them. He thinks that is the next challenge they will face, but will be coming as well for those that use this. Not everyone can use these because they are not cheap and the tickets are not cheap, but they think it will be an enhancement to the play.

Commissioner McLaughlin asked if this machine could be leased. **Mr. Loebig** said yes, and it will have to be under the rules for the most part – leased, or rented or sold. They are still on the beginning of marketing that. They are willing to do that.

Commissioner Forrest said that, to the player, the only thing that seems different than the slot machine is that the player must go over and get his money at another source. **Mr. Loebig** said it is designed to look that way, but, in effect, there are a lot of differences. He said in this particular case the screen has nothing to do with the play; the actual ticket determines the screen. It does not have a random number generator; it is really the tickets that determine what shows on the screen again. It does not give the player any credits. The only thing it does is if the player puts in \$10 it shows 10 credits or if the player is converting it to quarters, it shows 40 credits. It does not give any credits for play on the device itself. If a player wins, it is always with the ticket.

Commissioner Forrest asked if there already was a rule, or, if not, what determines the ratio between buying all the tickets and the amount of prizes. **Director Miller** said the state has a rule that requires a minimum percentage in that every game sold in the state of Washington must contain at least 60 percent pay out when it is delivered from the manufacturer. For example, a typical game would have at least 60 percent pay out. Some could be 80 percent.

Commissioner Forrest said 6,000 tickets at a dollar each would at least have \$3,600 in prizes available. **Director Miller** said that was correct and that would be the minimum. In some games it would be 70 percent and he does not know at what level they are projecting to make these pay out. **Mr. Loebig** said that, in their particular case, they would like to see higher pay outs because they believe winners make players. But the market tends to dictate the level of pay out.

Chairman Ludwig asked if they were prepared to sell these at any level above the minimum requirement. **Mr. Loebig** said that if he meant the tickets, then, yes. **Chairman Ludwig** said he meant the percentage pay out at any level above the minimum. **Mr. Loebig** said that was correct.

Commissioner Heavey said the question regarding the similarity of this machine to slot machines is a loaded question because if the answer to that is yes, then they are illegal.

Director Miller said this is an attempt to get a device that looks like a slot and plays like a slot and feels like a slot, but it is truly a pull tab. They can make these spin, and make the symbols spin and all those type of things as well, which he is sure will come, but this does dispense the traditional pull tab and meets all of the WSGC rules.

Mr. Loebig said the machine is a video amusement machine coupled with a dispensing machine. Dispensing machines in the state of Washington cost approximately \$3,000 to \$4,000 and amusement machines run the same, so if the two are combined, there is some money saving. He said he believes the machines will cost roughly between \$7,000 and \$8,000. They will know more once they get into it. They know that they are going to have to lease and rent the machines.

Chairman Ludwig asked if, for example, they are making a sales pitch and they tell the potential buyer or casino owner that it will pay for itself, how many days do they say that would be? **Mr. Loebig** said that if they are using a one-dollar ticket and selling a thousand tickets per day with a 35 percent profit margin, for the operator the payback is 25 days. If it is the same amount of tickets, one dollar tickets and 15 percent profit margin, the payback is 67 days, including the price of the ticket.

Director Miller said the staff is asking for approval of the device subject to a complete background investigation of what they call the subcontractor. The WSGC has already gotten a sufficient amount of information but they want to do additional background work on the subcontractor they have employed that has an agreement with Bingo King to put the machine together for them. He is quite confident that it will work, but they are asking that it be approved subject to satisfactory check on that background. He just wanted to put that on the record.

Chairman Ludwig said the action they would take today would be just approving the device for play subject to satisfactory background check of the subcontractor.

Commissioner Forrest moved that the Gold Crown device be approved for use in Washington State for play subject to a satisfactory background check of the subcontractor who manufactures the machines. **Commissioner McLaughlin** seconded the motion.

Chairman Ludwig called for public comment.

Clyde Bock, Mr. Ed's Casino and Bingo Supply, wondered if that was a non-display ticket, would the tickets being dispensed show up on the counter. **Mr. Loebig** said it would show that the ticket is dispensed and if it did not display, it would say "open by hand." **Mr. Bock** said that in order to comply with the regulations, if he puts an ordinary ticket in the dispenser it must show that countdown because if it does not, then they could not use the machine to dispense ordinary tickets. **Mr. Loebig** said it would not count their tickets down if it is not part of the set that is designed for the game. **Mr. Bock** said that what they are saying was that they could not use an ordinary ticket in this machine because then the player could not view all of the tickets for sale.

Mr. Loebig said that in this particular instance, Mr. Bock is correct in that feature the way it is designed now would not work.

Marco Courones, American Pull Tab, asked if that machine or series of machines would be adaptable to be a jackpot machine. **Mr. Loebig** said the machine has a modem capability and yes, it could be linked. **Mr. Courones** asked what the maximum ticket count on the machine was itself. **Mr. Loebig** said that, at present, there is slightly in excess of 3,000 tickets that are in the dispensing mechanisms and it has storage for another 2,400 tickets in the door.

Susan Schultz, Douglas Press, asked how this complies with the rule in terms of pull tabs being constructed so that it is impossible to determine the covered or concealed number, symbol, set of symbols, or game protection on the pull tab until it has been dispensed to and opened by the player. **Director Miller** said WSGC staff interpret that to be that it has been dispensed and it has been opened by the player pushing the button and that is sufficient. The player initiates the opening by pushing the button and that is how they believe that it complies with the rule and that is how they interpret it.

Commissioner Heavey asked if a barcode reader could identify the winners. **Director Miller** said each of the tabs would have to be opened on the bottom and then the game would be tampered with at that point. **Commissioner Heavey** asked if the barcode was covered also. **Director Miller** said it was. He said the machine opens the barcode for a player when the button is pushed. It then scans it and shows it on the screen. The player then has to open the ticket electronically by pushing the button. So the player is actually opening the ticket himself then takes the ticket and cashes it in. That is why the staff believes it complies. The barcode is concealed. If the barcode was on the outside of the ticket, staff would not have approved it because it would not meet WSGC definition.

Chairman Ludwig said he thought he heard earlier that this ticket could be sold by a runner out of the jar or out of the machine and the ticket that they have that came out of the machine says "valid only when machine dispensed."

Mr. Loebig said the ticket is like a normal ticket in that in a manufacturing process if he did not have the verbiage on that ticket, then a player could sell it out of the fishbowl; they could sell out of another machine. The reason that they put that verbiage on the ticket is that they realize that once a player starts to play this machine, that at some point in time, they may start trusting the screen display and only opening the tickets to be redeemed that are winning tickets. That means that the losing tickets could still be sealed and perhaps an unscrupulous employee of an operator might try to sell those on the floor out of fishbowl. So, they use the player as a policeman and therefore it tells the player that if it is not out of the machine, this ticket is no good, which tells the player not to buy this ticket. They started to think ahead about potential problems. Even though he told the commissioners it could be sold on the floor, they do not want that particular ticket sold on the floor for that particular reason.

Chairman Ludwig said the top-level winners must be verified on the screen. **Mr. Loebig** said it is more of a security feature. If there is an attempt at manipulation of those kinds of things, they know at least to match the screen. He called his attention to what they could see on the wall that said, "tickets valid only when dispensed." He said they have some other verbiage, "ticket not valid unless the top-level winner's serial number is verified on screen." He said they have not talked about all the issues involved, but they are aware of the things they have to worry about when they have the machine display. It is to make it simpler for the operator. He said they really do not want this ticket to be sold out of fishbowls because they are really designed for the machine, but they could be if he takes the back off.

Commissioner Herbold asked what would happen if there is something wrong with the machine and the screen does not verify the winner? She wondered about the disclaimer that said that if there is inconsistency between the ticket and the screen, the ticket wins, even though this says it must be displayed on the screen. **Mr. Loebig** said that it causes the player to raise the issue with the operator. They know that players have not seen this type of ticket before, nor have they seen the device. Until they become accustomed to playing the tickets and how the barcode is supposed to look, they want to raise the flag for the player until they become educated on the ticket and how it works with the opening mechanism.

Commissioner Herbold asked if this would deny them their prize if the machine malfunctions. **Mr. Loebig** said it would not.

Director Miller referred to the question that Clyde Bock raised that although this will dispense their tickets technically under WSGC's system, it would not work because it would not show the number of tickets. He wondered if this was a difficult adjustment because he thought they had the ability to manually enter the number of tickets. **Mr. Loebig** said it is a modification of the machine and while he does not have that currently on the device, it could be placed on the device.

Director Miller said it is simply an accounting system. He said people who spend \$7,000 on the machine really are not going to buy tickets that do not use the screen. There is not much reason for doing that, unless he is out of them or something and still wants to have some play, but that would have to be in there if it was to use other tickets. He wanted them to be aware of this. **Mr. Loebig** said that, as he indicated earlier, the machine has a lot of capabilities, not all the features will always work with all kinds of tickets, but it can be modified to do that.

Commissioner Heavey asked if he had a patent on this type of ticket. **Mr. Loebig** said he has applied for a patent. **Commissioner Heavey** asked if anybody else can manufacture tickets that will fully use the capabilities of this machine. **Mr. Loebig** said that if the patent is issued, then there could be some problems. **Director Miller** said that with a patent, they would issue licenses. **Mr. Loebig** said yes, they would issuing licenses. In the discussions with the staff, they have told them they are willing to look at the licensing issue. In the end, they believe that charity gaming needs to be competitive with other forms of gaming in not only Washington but in other portions of the country. So this is one methodology to allow charity gaming to be competitive with other forms of gaming. It raises the technological level of sophistication. They know there are other issues involved.

Director Miller wanted to know how they intended to distribute this device or if they intended to make this device available to other distributors to sell, or to make their pull tabs available to all distributors to sell to owners of this device. **Mr. Loebig** answered that they have not quite worked out all the nuances of the best way. He said that they could tell from the machine that this is a cross between dispensing devices and amusement machines. It has some unique technologies plus, to a degree, they want to limit access to some of the technology that could defeat the security mechanisms in the machine. But their intent is to sell through the distributor network just like they sell tickets in equipment now. It would be economically disastrous if they took another route.

Director Miller referred back to today's discussion regarding exclusivity. That is one of the issues that he was concerned with – does the rule prohibit that. But obviously the way they are going to do it is not an issue anyway. Getting to the security and the CPU and those type of things, that is where they are heading so they may do away with that amendment that they are talking about. It may not be needed any more. It is a new issue with this technology. He wondered when they were planning to start production. **Mr. Loebig** said if it is approved today, they need to engineer it for mass production and then accumulate the parts based on that engineering, so they estimate sometime in late September or early October.

Director Miller asked if they have been contacted by Indian nations as well to place this in as a Class II. **Mr. Loebig** said yes, tribes have contacted them because they have seen the Commission's agenda.

Chairman Ludwig called for any other public comment.

Mr. McCoy referring to the question that Mr. Bock raised, he wondered if a device can be a dispensing device for only one kind of ticket. **Director Miller** said the rule does not require them to dispense all products. **Mr. McCoy** said his concern is that the distinction he has always made between dispensing devices and gambling devices is that the game can be played independent of the device. If these tickets can only be played with this device and other tickets cannot be dispensed through it, he has a little bit of concern whether they are crossing that line. **Director Miller** said that these could be played in the fishbowl; however, with the universal dispensing device that was approved about a year ago, the drums that only dispenses their ticket, it will dispense no other ticket, so they have approved those in the past as a precedent. The one that spins only dispenses those tickets. So there is a precedent for having a single ticket for a dispenser. However, he said that Mr. McCoy should at least be aware that they may have to make an adjustment if the Commission deems it appropriate.

Commissioner Heavey said he was going to ask that same question and it did not occur to him when the commissioners approved the previous device that they were, in effect, creating monopolies by regulation. He wondered about the validity of that. He understood that they said they were considering licensing, but licensing is discretionary with the manufacturer and he is concerned about creating monopolies approving devices that will dispense tickets by only one manufacturer and that is the manufacturer of the device. He said it was kind of like saying that you have a fishbowl device and you can only put one manufacturer's tickets in that fishbowl. His understanding was that what they wanted was devices that were generally available.

Director Miller said it was new technology that they have not seen. The rule is on this month's agenda – the exclusivity rule again that they had a debate about today – would have created an exception for this type of system where it was possible to have an exception to exclusivity for new technology involving a dispenser and a related pull tab only. They do not know if that will go forward yet, but that is the issue that is being discussed. If they were to change their device and put in the countdown for any other series that would go in it, that would take care of the commissioner's concern as well.

Commissioner Heavey said he would imagine they would have to do that anyway. **Director Miller** said yes if they were going to allow it to be used or if WSGC was going to require it to be used for other products. The practicality was he could not imagine people buying this and putting another product in there, but they might out of necessity.

Commissioner Herbold asked how this is different from any other invention where someone will copycat it and make it cheaper so that it becomes more desirable. As such, a monopoly is not really created in that there is nothing to prevent some future company from coming up with a similar machine that has some better feature that makes it more desirable. In her opinion that was the free market. **Commissioner Heavey** said if it were a free market, then they could do away with patents. One of the reasons for patents is to prevent people from doing the very thing she was talking about. **Commissioner Herbold** said that someone could get around the patent by having some distinguishing feature that makes it different from the competitor's invention. **Commissioner Heavey** said that if it were that simple, then patents would not be worth very much. He said he is concerned about the same issue Mr. McCoy brought up that they are creating monopolies by approving devices that dispense only the tickets that are manufactured by the person that makes the device.

Commissioner Forrest asked what would stop any manufacturer from making tickets that will operate in this machine. **Commissioner McLaughlin** said the patent would. **Commissioner Forrest** said the patent cannot control that. **Mr. Loebig** said he had a patent pending on the ticket itself.

Commissioner Heavey said that is the question he asked at first and he said they were considering licensing them. He thought that it might be necessary to require them to license other manufacturers or something similar.

Bill Tackett, Buzz Inn Tavern in Snohomish County, said the first machine that ever came out was a converted stamp machine. They only held one brand of ticket, which was the company's that came out with the machine. It wasn't long before the other manufacturer came out and gave them the five-window stamp machine, which was a big step for them. None of these machines ever worked very well. An operator would buy them, they would put them in and they would work about 30 days and then the operator would have to start tinkering with them. They bought all the springs to have extras on hand and they would have to be fixed almost every day. Then a more sophisticated machine came out – it was a wood box – and it had a light in it. It was called the continental machine and it dispensed a little ticket and the same thing prevailed.

Since 1973, there has been no major manufacturer such as this make any headway for them at all. They have begged the industry and Mr. Miller's staff to give them something with better record keeping. The reason they do not use punch boards much today in the whole state is because they cannot keep track of them. There is no security in them. With a machine like this, where the ticket count is known and there is a printout; they know what went in and what came out of there. This is a giant step for the industry – it brings them from 1973 to 1997 – and should have happened 10 years ago from the security point of view. He said this machine right now may have only one ticket, but he wondered how many manufacturers are licensed in the state today, and he thought it would not take them much to be able to duplicate that ticket to use in that machine. He recommends that the commissioners approve this machine and the evolution that will come with it. He believes it is a fair deal for the players and a better operation for the operators, both. It is a win-win situation

Director Miller said the exclusivity issue would come up. The rule on the agenda was really designed to allow, as a matter of policy, a manufacturer's right to sell in the state a machine that uses a specific pull tab that they have a legal right or patent to. It was to encourage technology and to encourage advancement. It is a policy call that the Commission needs to make one way or another. He said that, until it is developed, one option is to conditionally approve this device to having that change put in that says if they use another product, then they have the ability to punch in the number of tickets. Then, as it comes through, it counts down just like anything else. He does not feel that is a major addition but it would allow the machine to be used with any other product. He thinks that would satisfy some of the commissioners' concerns. He still wants to go back to the other issue eventually and resolve it. He thinks it must be done that the technology is coming.

Commissioner Heavey said the issue of a programmed machine and the use of other tickets in the machine are two separate issues and can be addressed separately. He raised the issue because if the commissioners were to come to the conclusion that they do not think it is appropriate to approve devices that are only used for tickets

of the manufacturer of that device, they can solve the problem simply by requiring them to license anybody else in the state or anybody else that wants to manufacture tickets to be used in the machine. He does not have a problem with approving the machine at all. He agrees, as was pointed out earlier, that it is quite an advancement and, depending upon the point of view of, that is either good or bad.

Chairman Ludwig said the market solves some of these problems and this machine may not be more marketable or desirable one way or the other. He suspects that will dictate a lot of the manufacturer's decision-making. Somebody may say he does not want to buy this – he is waiting until one comes out that will take everything or dispense everything. The manufacturer will probably think about those kinds of comments and it may affect their decision.

Mr. Loebig agreed and said that as far as innovation is concerned, they think it will help charities and commercials and believe it is a step forward. They look at the machine like a pinball machine in that they are not going to see many places putting in a lot of these, but if they are lucky, 10 percent of the locations may put in one, because it is a little bit different. It is not the final answer. As far being a monopoly is concerned, there will be many pull tabs out there. There are other devices and just like the infinity machine that was referred to earlier, there are a lot of ways to dispense tickets – this is just one way. It is a little bit like computer technology – other machines will come up. They are aware of three or four already.

Chairman Ludwig said that at some future date, the Commission may want to require that machines have to accept or dispense all tabs, but he is not prepared to do that today. He said the question that was before them now was whether or not they want to approve this. He then called for any other public comment or discussion by the Commission. There were none, so he referred back to the motion and second and approval subject to investigation and approval of the subcontractor.

Vote taken; motion carried with five aye votes.

REVIEW OF FRIDAY'S AGENDA

Carrie Tellefson said tomorrow Cindy Reed will give an update on the Council on Problem Gambling. She will present to the commissioners the current version of the WSGC's contract with the Council as well as a proposed policy for them to review and consider. Listed for final action tomorrow is the rule on exclusivity agreements which have been being discussed and she had been told that staff will ask to continue discussing that rule for a couple more months with final action potentially in September at the SeaTac meeting. For discussion tomorrow they have eight rules, seven have to do with manufacturer and distributor credit pricing rules and staff will be asking that these be carried over until September, partly so that the majority of distributors and manufacturers who would like to comment on these can make the SeaTac meeting in September. There is also a petition to amend a pull tab rule that is proposed by Dennis Zaborac of Totem Tab and will be up for discussion. There are four rules up for discussion and possible filing – one that was promised last month and brought forward by staff for carryover jackpot pull tab games, two bingo rules that are basically housekeeping rules, and lastly, the petition to amend the card room rules, which is presented by the Recreational Gaming Association. She understands that they will agree to carry that over one more month because staff has agreed to present its rules package in August.

Chairman Ludwig noted that today's meeting needs to be finished by 3:30 p.m.

QUALIFICATION REVIEWS

40 et 8 #99

Mr. Holland said a representative from this organization is here, Mr. Les Scott. Formed in 1933, the organization has been licensed since 1974. The organization maintains a community service club in Vancouver and provides charitable services indirectly to three major programs including the Americanism program, the Child Welfare

Program, and the Nurses Training Program. This group provided 33 recipients with scholarships and provided contributions to over 28 charitable organizations during the last fiscal year. In terms of compliance analysis, the organization did not satisfy the net return requirement of 16 percent for their Class "L" bingo license with a net return for the year of 13.2 percent. The organization's license was not limited due to the moratorium. The organization did not spend at least 60 percent of their gambling proceeds toward providing program services because they were diverting funds for purposes of constructing a new facility. The organization has since moved into that facility and is committed to redirecting funds back to their programs. Staff recommend 40 et 8 #99 be temporarily approved as a patriotic organization until staff evaluates the licensee's compliance with program service requirements for the fiscal year ended August 31, 1997. He called for questions.

Chairman Ludwig asked how long a time Mr. Holland is talking about when he asks that 40 et 8 #99 be temporarily approved. **Mr. Holland** said about one year.

Commissioner Forrest said that when these are done temporarily, there ought to be a date certain. He said an open-ended approval could mean anything.

Ms. Cass-Healy said the date was not pin-pointed because they wait until the fiscal year ends, and then they have four months to submit their financial statements if they get them in time. If their audit goes smoothly, then at that point the staff reviews them and they go forward at next meeting location that is geographically convenient for them. It is very difficult to pinpoint an exact date, but they can make a best estimate based on those factors.

Chairman Ludwig suggested that they say temporary approval not to exceed such-and-such date and wondered if that would work. **Ms. Cass-Healy** said that would work.

Chairman Ludwig asked if there was any further public comment. No one came forward. He asked Ms. Cass-Healy about future reviews or future temporary approvals. He asked if there is a suggestion that the Commission amend this approval now or just restrict it.

Commissioner Forrest said he did not see any reason why they should not start the policy now.

Commissioner Herbold moved that 40 et 8 #99 be temporarily approved as a patriotic organization for a period not to exceed one year, that one year allowing staff sufficient time to evaluate the financial records of the organization through the fiscal year ending August 31, 1997. **Commissioner Forrest** seconded the motion. *Vote taken; motion carried with five aye votes.*

Chairman Ludwig asked if the 40 et 8 #99 representative wanted to say anything and he said he did not.

BIG BROTHERS OF KING COUNTY, Seattle

Mr. Holland said this organization was formed in 1957 and has been licensed since 1977. This organization matches volunteers with growing boys in the programs of Big Brother, Sports Buddies, Design Buddies, Brother for Brother, Partners Program, the High School Program, and Bigs and Blue. The organization made 116 matches in 1996. In terms of compliance analysis, the organization met their required combined net income return for their Class M bingo license by achieving a 21.6 percent net return. They had an overall net loss of \$117,371 because two revenue-generating programs failed to materialize. In 1997, however, the organization had added two revenue-generating programs that should generate enough revenues to meet future funding needs. The organization did spend 60 percent of their gambling proceeds for program services, and supporting services were less than 35 percent of functional expenses. Staff recommends that Big Brothers of King County be approved as a charitable organization and authorized to conduct gambling in the state of Washington.

Chairman Ludwig asked if there was anyone present from this organization; no one came forward. He asked if there were any further questions; no one had questions.

Commissioner Heavey moved to approve this organization; **Commissioner Herbold** seconded the motion. *Vote taken; motion carried with five aye votes.*

IMPERIALS MUSIC AND YOUTH ORGANIZATION,

Mr. Holland said this organization was founded in 1965 and has been licensed since 1974. Imperials programs consist of instruction in band, orchestra, choir and chamber music ensemble. The organization is currently focused on funding and building a new facility by the year 2003 in order to provide a central location from which to conduct their programs. They plan to open a temporary facility in the interim period by the spring of next year. In terms of compliance analysis, the Imperials met their combined net return percentage for the Class "M" bingo license class by achieving a 20.2 percent net combined return. The organization did not spend at least 60 percent of their gambling proceeds toward providing program services; however, the Imperials organization has been approved for an exemption from this requirement while they are reserving funds for their new facility. Supporting service expenses were more than 35 percent of functional expenses. Staff recommends that the Imperials Music and Youth Organization be temporarily approved as an educational organization to allow staff time to evaluate the organization's compliance with supporting service expense requirements after they open their own facility.

Chairman Ludwig asked if, consistent with the prior agenda item, the recommendation would be temporary approval not to exceed one year.

Greg Murray, executive director of the Imperials Music and Youth Organization, said that, although the Commission staff is recommending temporary re-certification, they have not clearly pointed out that they have been in contact with them to talk about the language of WAC 230-08-255. They feel that they have made significant cuts in their administrative expenses and although they exceed the 35 percent, they are well within what they have planned for and need to successfully make the move toward a community music school in the area. He thinks it is unfair to make the certification pending their compliance with that administrative expense requirement until such time as the staff goes through the review of that rule, which they have indicated will take place.

Ms. Cass-Healy responded that the reason the staff is recommending temporary is because they do not have that rule in place. It would have to go through the formal process and be approved by the Commission. They felt that this was the most logical way to approach this issue. She does not see a problem at this point with the rule change. It does appear logical from the staff perspective.

Chairman Ludwig asked what Mr. Murray's response was to that. **Mr. Murray** said he could live with that, but he wanted to make the Commission aware that they are not trying to skirt a rule. They have had very serious conversations with the staff about what they are doing, and the way they are doing it. They feel like there needs to be a provision in the exemption for increases in administrative expenses for organizations that have plans and those plans make sense to the Commission.

Chairman Ludwig asked about the substantial improvement in bingo revenue from 1995 to 1996. He said with the Muckleshoot opening in December of 1996, he wondered what it looked like so far for 1997. **Mr. Murray** said 1997 is going to be a banner year unless all fails. They are continuing to see growth in their player base. They have worked very hard with their management structure to make sure they have the controls in place. They have done a lot with player development and they have had the good fortune of a good location and good staff.

Chairman Ludwig said they must have good management, because just based on the last several months, he can see a lot of reductions and some of those charitable bingo facilities blame it on the casinos. **Mr. Murray** said they have been fortunate in South King County. Although they do have competition with the Muckleshoots, their game is not quite as far out, which gives them a little better access to the South King County players. They have a new facility that they are constantly working to keep in the best condition. It has done well for them in attracting players.

Chairman Ludwig asked if the name "Imperials" include a drum and bugle corps. **Mr. Murray** said they began as a drum and bugle corps and operated as such for the first 20 years of their existence. Eleven years ago in

1986, they began to broaden their music programs to allow them to reach more kids in the King County area. They are attempting to develop a community school of music that will serve all of the youth and adults in King County. They just completed a feasibility study that indicates the facility should be placed on the east side in King County. They are currently looking at facilities and hope to be in a facility and operating there early in 1998.

Chairman Ludwig asked him if they still had the drum and bugle corps. **Mr. Murray** said they no longer have them.

Chairman Ludwig asked if there were any further questions.

Sen. Prentice said her oldest son was a member of the Imperials Drum and Bugle Corps and one of the most enjoyable things they had done was go to the Water Follies. There was a big competition in Chairman Ludwig's community among a whole lot of other activities. Before 1965, this group had sprung from Buddhist scouts who were noted for being an extremely fine group who always marched in the Seafair Parade. She saw them on many occasions. She wanted to know where their permanent school facility was going to be located.

Mr. Murray said that the feasibility study they just completed indicated two primary locations: one is on the east side and the other is the possibility of combining with the people razing the African-American Heritage Museum in the old Coleman School. The other is Cornish College, which is about to relocate their North Campus building. They are working with the City of Bellevue, which has two projects possibly under way that may provide a home for them also. They are proposing a performing arts center to be located across from the existing Maidenbower Center. They have indicated interest in having their organization as a part of that to provide an educational component. The city parks department in Bellevue is also undertaking a study to determine if a youth art center in the city across from the Bellevue County Library would be a possibility and they have asked them to be involved in discussions in that. It looks like they are going to be either a Bellevue permanent home or one of those two Seattle locations.

Sen. Prentice said their programs are certainly ambitious and it appeared to her with the branching out that he is carrying out the kind of mandate these programs are all about. **Mr. Murray** said he appreciated the comments and the support.

Commissioner Herbold said she had a question for Ms. Cass-Healy. She said that in light of the temporary approval that they are suggesting and the fact that the interim facility will be completed next spring (April of 1998), how much time does the staff need after that to evaluate their compliance with supporting service programs before they feel that they have sufficient information to request a permanent approval?

Ms. Cass-Healy said normally they would wait until the end of their next fiscal year, which would be September 1998. They could go in earlier or gather information from Mr. Murray and probably be comfortable with it within three months after that date.

Commissioner Herbold wondered if the end of December, 1998 would be sufficient.

Ms. Cass-Healy said that would be possible.

Commissioner Heavey said it would seem more appropriate to approve this organization for a license because a license is only for a year in any event. The commissioners ask the staff to direct particular attention to the issues that were raised in this report so that the Commission can be informed as to their status. They should be aware that that is going to be discussed specifically at their next licensing. It seemed to him that that would be more appropriate because it is so open-ended as to when they are going to complete.

Commissioner Heavey moved to approve this organization as a charitable organization authorized to conduct gambling in the state of Washington and that the staff be directed to note on their license or application that there is an issue raised with regard to the report of this year and that they should address those issues specifically with the organization and inform the Commission as to the status at that time. **Commissioner Herbold** seconded the motion. **Chairman Ludwig** asked if anyone else wanted to comment; no one came forward.

Vote taken; motion carried with five aye votes.

MARAUDERS YOUTH ORGANIZATION, Longview, Washington

Mr. Holland said this organization was formed in 1957 and has been licensed since 1974. The Marauders Youth Program consists of musical activities for youth ages 3-22 divided into four groups to include novice, preparatory, open and A group that participated and performed in various parades and competitions. The Marauders Youth Groups have experienced many successes in the events where they have competed. In terms of compliance analysis, Marauders met the required combined net return percentage for their Class "I" bingo license by achieving a 10.2 percent net return. The organization's December 31, 1995, financial statements were not prepared in accordance with generally accepted accounting principles and because of this the staff was unable to determine if the organization was in compliance with the Commission rules. The organization was temporarily certified at the November 1996 Commission meeting to allow staff time to determine compliance with the next fiscal year's financial statements. The current year financial statement was prepared in accordance with generally accepted accounting principles and complied with the Commission rules. The organization did spend 60 percent of gambling proceeds toward providing program services and spent less than 35 percent for supporting services. Staff recommends Marauders Youth Organization be approved as an educational organization and authorized to conduct gambling activities in the state of Washington.

Chairman Ludwig asked if anyone from the organization was present; no one came forward. He asked for public comment.

Commissioner Heavey asked why some of the approvals under qualification IV and qualification V. **Ms. Cass-Healy** said the review of these organizations are determined based upon their level of gross receipts and they are broken out in groups. Group V is the highest based on the gross receipts and Group IV is second, and so on.

Rep. Fisher and Commissioner McLaughlin said they wanted to know who named this group. **Chairman Ludwig** said they have been in existence since 1957 and there's no one here to answer that question.

Commissioner McLaughlin moved to approve this organization as an educational organization and authorized to conduct gambling activities in the state of Washington. **Commissioner Forrest** seconded the motion. *Vote taken; motion carried with five aye votes.*

OTHER BUSINESS

Director Miller said that, based on a discussion that he just had with Mr. Loebig, the game initially did have the capability when other tickets were sold. To count down to meet WSGC rules, it showed the number of tickets available. When they put the key security system in last month at the WSGC's request, they lost that capability. They are now going to voluntarily put it back in. It will be very inexpensive; they will have other keys that will come with the machine that they can use for 3,000, 4,000 and 5,000. If a different game is used, it will have a count down, and that will be in a letter from Bingo King to the Commission; it will be in the file for approval. He just wanted to let the Commissioners know that is what they were out talking about.

Chairman Ludwig called for any other business or discussion; no one came forward.

EXECUTIVE SESSION

Chairman Ludwig called for an executive session to discuss pending investigations and litigation, and to also conduct interviews for the agency director position, which will be vacated by Director Miller at the end of September. The executive session will last until about 6 p.m. He called for a ten-minute recess. He said there would be no further business following executive session and adjourned the meeting.

WASHINGTON STATE GAMBLING COMMISSION

MINUTES COMMISSION MEETING FRIDAY, JULY 11, 1997

Chairman Ludwig called the meeting to order at 9:30 a.m. at the Silverdale on the Bay Hotel, in Silverdale, Washington. He introduced the WSGC staff and Commission members at the head table.

MEMBERS PRESENT: CURTIS LUDWIG, Chairman; LIZ McLAUGHLIN, Vice Chair; EDWARD HEAVEY; MARSHALL FORREST and PATRICIA L. HERBOLD; and Ex Officio Members SENATOR MARGARITA PRENTICE and REPRESENTATIVE RUTH FISHER

OTHERS PRESENT: FRANK L. MILLER, Director; BEN BISHOP, Deputy Director; SHARON TOLTON, Assistant Director, Special Operations; SHERRI WINSLOW, Assistant Director, Field Operations; CALLY CASS-HEALY, Assistant Director, Licensing Operations; CARRIE TELLEFSON, Special Assistant, Public Affairs; CINDY REED, Communications Coordinator, Public Affairs; and SUSAN GREEN, Executive Assistant.

Chairman Ludwig introduced the head table.

APPROVAL OF THE MINUTES FROM THE JUNE 12-13, 1997, MEETINGS

Commissioner McLaughlin moved to approve **Commissioner Herbold** seconded the motion. *Vote taken; motion carried with five aye votes.*

Chairman Ludwig said the minutes are approved.

STAFF REPORTS

WASHINGTON STATE COUNCIL ON PROBLEM GAMBLING REPORT

Ms. Reed said she has been with the Gambling Commission for 13 years and presently works in the Office of Public Affairs. As part of her duties as communications coordinator she is responsible for the mandatory training program, the agency newsletter, agency brochures and other forms of public communication for the Gambling Commission. In 1995, she became the agency liaison with the Washington State Council on Problem Gambling. It is in that capacity she came before the Commission. She had three issues to bring before the Commission: 1) the history of the involvement of the Gambling Commission with the issues of problem gambling, specifically its involvement with the Washington Council on Problem Gambling, 2) the renewal of the contract that it has with the Council, and 3) a proposed policy statement for the commissioner's signatures. She said all of these items could be found in the commissioners' supplemental handout under tab no. 7. She then returned to her first point. In June of 1996, the Washington State Council on Problem Gambling presented a workshop during a Commission meeting at the request of former Commissioner, Bob Tull. Because there is a new Commission and for the benefit of everyone, she related the history of the Commission's involvement in the issue of problem gambling and, specifically, with the Council.

Ms. Reed said that in 1990, former Commissioner Ann Noel attended a conference on problem gambling. At her urging the Commission directed staff to conduct a research project into the area of compulsive gambling in the state of Washington. Sharon Tolton was the individual who was charged with conducting that project and her conclusions were presented to the Commission. A copy of the executive summary of her findings was included in the handout packet. Although at that point in time there had not been any formal survey conducted in the state of Washington regarding prevalence rates for problem gamblers, it was apparent from anecdotal evidence and from conversations with a local psychologist that individuals with that addiction did exist here in the state of Washington. The recommendation to the Commission in 1990 was to implement a program to identify support groups and provide public information through brochures and public service announcements. The commissioners then signed a policy statement, which she said she would discuss at the conclusion of her presentation.

Ms. Reed said that during Ms. Tolton's research project in 1990, she discovered that there was a National Council on Problem Gambling as well as several states with local chapters affiliated with the National Council. However, Washington had no chapter. There were various Gamblers Anonymous groups that met in different locations around the state and at least one psychologist who was working with several problem gamblers, but no overall organization to these groups and no state wide number for people to call who might have problems with this addiction. In conducting her research, Ms. Tolton found that there were several individuals who were interested in forming a local council to be affiliated with the National Council. This included a local psychologist, Dr. Charles Maurer. Dr. Maurer and Ms. Tolton recruited individuals from a broad spectrum of interests. They became the nucleus of the first Washington State Council on Problem Gambling. It included addiction counselors, recovering gambling addicts, the president of a pull-tab manufacturing plant, and a tribal casino director. The Council was incorporated as a nonprofit organization in 1991. Money from the settlement of an administrative case was specifically dedicated to the Council in the first contract that the Gambling Commission entered into with the Council.

Ms. Reed said the Gambling Commission's involvement in the work of the Council was soon joined by the Lottery Commission who funded the prevalence studies conducted in 1992 and 1993 and also agreed to reimburse the Council for the costs of the help line. In 1994, the Legislature passed a bill that became RCW 9.46.071. It required the Gambling Commission, the Horseracing Commission and the Lottery to provide resources for the support of services for problem and compulsive gamblers. It also required that signs be developed and posted at the establishments of all gambling licensees, horseracing licensees, and lottery retailers. The Commission passed WAC 230-12-090 that reflected this requirement and placed a specific penalty for failure to post these signs. The Council is also encouraged to submit articles to the Gambling Commission's newsletter as another outlet for their public information. Presently there are three Commission staff members who maintain liaison with the Council. In addition to Ms. Reed's attendance at quarterly executive board meetings and monitoring terms of the agency contract, Assistant Director Tolton has until recently held the position on the National Council's board. She remains interested and involved in the work of the local council and there is a special agent, Shanna Lingel, of tribal gaming unit who is the point of contact for any request that might come from the tribal casinos. She said the relationship between Commission staff and the Council staff has always been supportive. As noted in the mission statement for the Council, they neither support nor oppose gambling but are committed to increasing public awareness on the issue and the availability of services. She said she believes this mirrors the Commission's mission to enforce rather than promote gambling.

Ms. Reed said it is encouraging to note that support for the Council's work encompasses many parts of the gambling industry. As noted in the Council's annual report contained in the commissioner's handout, financial support for the Council has been received from several tribal casinos and many people within the gambling industry. Whenever the topic has been discussed at Commission meetings, there have been positive comments made by licensees who also support the work of the Council. The Commission has extended its support by negotiating in all tribal contracts that any fines issued will go to the Washington Council on Problem Gambling. A recent settlement with a tribe resulted in a \$100,000 donation to the Council. The second topic she discussed with the commissioners was the 1998-99 personal service contract with the Council. She said it was also included in the handout material. As she mentioned earlier one of the first personal services contracts was effective from November 1992 until June 1993. It was in the amount of \$45,000 which represented the settlement in an administrative case against a pull tab manufacturer. In the 1993-95 biennium the contract was increased to \$120,000 for the two-year period. In the 1995-97 biennium the contract was again increased to \$200,000. For the present biennium the contracted amount has remained at \$200,000 but the terms of the contract have been

made much more specific to assist her in monitoring the program. The purpose of the contract has remained the same since the original.

The Gambling Commission requires that the money be allocated for any of the following three reasons: 1) public and industry education, 2) affordable low-cost training of mental health and other professionals to be able to recognize and treat the disorder and 3) the cost associated with dissemination of information and staffing of the toll-free hot line. Each time the amount of the contract has been increased, it has been reviewed and approved by the commissioners at an open meeting. It is always pointed out during these discussions that the Council is only to spend the money on educating the public, training professionals and providing referral services by staffing the hot line. It is not to be spent on actual treatment of problem gamblers. The contract for this biennium has been much expanded over the previous contracts. Specifically, the latest contract provides for the following: an executive summary containing a narrative and help line information will be submitted each year. Requirements for the executive summary have been made more specific than were in previous contracts.

Ms. Reed said the 1996 summary was provided to the commissioners in the hand out material. The commissioners may also request of the Council any time they wish a formal presentation and review of the summary. The Council will continue to provide quarterly statistical reports to the Commission that will detail help line information and the services provided by the Council such as public and media appearances and training seminars. This information is also included in the commissioners' hand out material every quarter. The Council will provide copies to the Commission of any financial review or audit and copies of their federal tax returns. The Council has agreed to pay the conference expenses of at least one Commission member to attend any national conference or board meeting and to allow free registration for any Gambling Commission staff who wish to attend the training sessions put on by the Council. Presently, nine staff members have attended this training. They have always received positive feedback regarding the training put on by the Council. The present contract will expire June 30, 1999. The contract for the next biennium will be presented to the Commission before being signed and they can make any comments for changes that they would like at that time.

The last item she covered was a proposed policy statement for their consideration. In 1990, the Commission reviewed the research project and all members at that time signed Policy and Opinion 90-09. It set forth a statement of support for services that are now being performed by the Council, which did not exist in 1990. She said it seemed like an appropriate time to review and update the Commission support. She respectfully requested that the Commission review this policy statement for possible signature by all Commission members at the next Commission meeting. She then introduced Gary Hanson.

Mr. Hanson, executive director of the Washington State Council on Problem Gambling, said he had met everyone except the newest Commissioner. He served for two years as affiliate chair of the National Council on Problem Gambling. That brought him in contact with a lot of the other state councils and the relationship they have with the Washington State Gambling Commission is very positive which he said was the result of the support of the commissioners and the staff and Frank Miller, the director. He called their attention to what he called an annual report because they are trying to send it to all of their funding sources and supporters. He said that should be in the commissioners' hand out. He said the report discusses everything they did in 1996. He summarized the report by stating that it contained a youth awareness program which was developed to educate school counselors on this issue and other professionals working with youth and as part of that last year they distributed 1500 packets of information which he had already brought before the Commission. They also started work on a public service announcement with the lottery for television. They did a three-day training workshop and engaged in their regular activities of help line and public awareness and other types of training. The public service announcement for television was completed in the spring. He said it plays during daytime television and he showed it at one of the Commission meetings.

Mr. Hanson said they did training in Tacoma that was attended by about 40 treatment professionals. This year they are expanding their youth awareness program. They are going to get more packets of information to school counselors. They already distributed the ones with whom they had good connections through the education service districts last year, but the ones they missed are going to be a little more difficult to distribute. In the fall they are going to do a special training for school counselors around the state. He envisions that they will do a series of half-day training and it will be mostly awareness with a focus on youth and families and problem gambling. They are also contacting the community colleges in the state. They hope to develop a program there

both to have people working with college students knowledgeable about this issue but also the community colleges, where the school counselors are mostly trained. They would like to get the problem gambling issues included in the curriculum. They do their regular presswork. The information and referral for the help line is expanding. Last year information and referral calls only totaled 1628 calls. Some of the graphs in the survey show that that was a doubling of information and referral calls over the previous year and this year in the first quarter they doubled over the first quarter of 1996, so the calls continue to double. Those numbers came from just information and referral. He showed a graph that shows dramatically overall calls coming into their help line and the increase can be seen in 1996. It was so dramatic that they included a new graph in the executive summary.

Mr. Hanson said he wants to put up a home page on the Internet, but it is hard to access because they are still working on it. They did the prevalence surveys from 1993 on the home page and they will have the graph in there in a few days. He can be reached via e/mail. He did not want to give the link-up yet because of the complications of access while they are still working on it. He said it would be available in about two weeks and he will let the commissioners know how to access it. He said the Gambling Commission is going through a similar process and they hope to link the two. This year they plan to contact employee assistance groups. They want to increase the availability of treatment services by helping people that work in the employee assistance arena to become knowledgeable about this. Then as people come in to them perhaps with a gambling problem they can then start to refer them, but also perhaps to prod the insurance companies into recognizing this as something they need to start treating or providing coverage for. That is a long-term goal but the start is to work with the EAPs. They started last year to help with a pilot program at Tacoma Pre Release in the prison system where people coming into the Tacoma Pre Release are being assessed for problem gambling. The numbers that have been obtained are 27 percent testing positive which is actually in line with some work that was done in another state. He has been meeting with other prison officials. What they want to do throughout the Department of Corrections at least is to educate the people that deal with treatment in the Department of Corrections so they are more knowledgeable about this issue and know how to assess and at least get some information. They hope to expand that into the probation and misdemeanor area of criminal justice.

Mr. Hanson said they worked with the Legislature this year in an almost-successful effort to get the lottery tied closer to this. It almost went through and Frank Miller was very instrumental in working on that. He said it came out in the Senate version of the budget; it was not in the House version. Unfortunately, the conference did not include it at the last minute – it died in the last days of the Legislature. He said he would be glad to go into more detail after the session for those who wanted more information. He said they were trying to get the lottery to fund a second set of prevalence surveys; they funded the first set that were done in 1993 – they were published in January, 1993 so they were conducted in late 1992. He said there has been a change in the gambling situation in the state so they need new prevalence surveys. The new lottery director has been very open to doing this. He said they are in the process of streamlining their internal processes and as part of that they are having a strategic planning retreat for their board of directors in about two weeks. They will have an even better “to do” list for themselves.

Chairman Ludwig said he knows the Council is not interested in enforcement which would be contrary to their main function, but he noticed that people who called about problems listed video poker and video slots. He wondered if that aroused Mr. Hanson’s curiosity.

Mr. Hanson said people could travel to Las Vegas and get into a problem but chances were that they were either traveling to Oregon or Eastern Washington. He said it was his understanding that there may be some machines in the state that are operating illegally.

Chairman Ludwig asked if the increase in calls was based on perhaps an increase in the number of problems or in part on the Council’s education efforts.

Mr. Hanson said both were possible and called attention to the pie charts in the report which showed a jump in 1995. In 1995 the Gambling Commission mandated that the signage go up. He relates much of that jump to the availability of the signage. But the jump from 1995 to 1996 which was a doubling if you look at information and referral calls only – and he considers those gambling related because they are either the gamblers or their families or friends trying to get some information or referral. He thinks part of it is public information, but he thinks

part of is probably an increase in problem gambling and the only way they can prove that is to get the new survey. When they get new prevalence surveys they will have real data. He the data they have is not reliable.

Chairman Ludwig thanked Mr. Hanson and told him to keep up the good work.

Sen. Prentice said she recalls that the Commission had specifically said they do not do treatment, but she wanted to know where people go when they need treatment and whom do they see.

Mr. Hanson said it is still very difficult to get treatment in this state. He said there were two avenues: one is Gamblers Anonymous which is a 12-step program similar to AA and at the present time, there are about a dozen GA's that are in existence in the state. He said they are expanding. He recently attended a GA meeting for the first time in Tacoma and they are starting a second group in Tacoma next week. He said there are also treatment professionals some of whom have been doing this for awhile and others that they have trained. Many of the people they have trained are either existing clinical psychologists or chemical dependency counselors already trained in chemical dependency that are seeing this as a dual addiction and are coming to their training. The Council has trained about 2,000 chemical dependency professionals. More need to be trained and that is about the extent of treatment in the state. There is also treatment where an in patient can be referred such as Montana and some in Arizona; the nearest is in Las Vegas. He knows that people with whom the Council has worked have been referred to Las Vegas.

Sen. Prentice said she was alarmed by the increase of problem gambling addiction in children. She wondered if anyone was looking at that group specifically; for example, would a school counselor know where to go?

Mr. Hanson said that at the present time the only ones who would know where to go were the ones who had received their packets which is 1500 people. The Council just began this youth awareness program last year and when they started they had no experience and were researching what to do. What came out was to educate school counselors first and the way they began to do that was to put together a packet in coordination with some of the education service districts in the state. The Council provided all of the materials, put it together and delivered it to them and they distributed it through their distribution system. There is still a lot of work to do with school counselors. They need to follow up on their training. They have attended some conferences and had booths and that type of thing – it is still in the early stages.

Sen. Prentice said she has begun to agree with the people who complain about all of the advertising that is everywhere you go – on television, radio, billboards -- and how it might affect children. She can see how some unstable kids might begin to do something they had not been doing before.

Mr. Hanson said adolescents tend to be gambling on cards, dice games, betting on sports events – that type of thing. Everybody does that a little bit, but the general push of advertising is making it more open.

Chairman Ludwig thanked Mr. Hanson and Ms. Reed. He added that Ms. Reed had not mentioned that she is also a graduate of the FBI National Academy. He said he knew that the Commission and she were both proud of that.

RULES

EXCLUSIVITY AGREEMENTS

Amendatory Section WAC 230-12-230
Agreements restricting freedom to buy and sell -- Prohibited

Ms. Tellefson said this was listed in the agenda as up for final action, but the staff will be requesting that the Commission continue the discussion process until September.

Director Miller said the staff is still looking at either removing that request altogether or possibly, once again, changing the request slightly to make it absolutely clear that a manufacturer can develop a device requiring a

specific product but must make the product available for all distributors. He said they are finding a way to make this work.

Chairman Ludwig asked if there were any objections to continuing this until next month or September. To clarify his statement he said the staff would bring it before the commissioners next month, which would, in effect, be deferring any action until September. **Ms. Tellefson** said that was correct.

Chairman Ludwig said that, without objection, they would continue this until September for formal action.

Ms. Tellefson asked Chairman Ludwig if he would like to have a public hearing on the rule. **Chairman Ludwig** asked if anyone came prepared to discuss either pro or con item no. 3.

Darrell Curtis, Tabs Unlimited, said he has been in business about 15 years and on two instances he ran into difficulty when his competition, who had machines they were having manufactured, use that against his accounts. In one case, they would not sell him the parts and would not come out to fix the machines without the people buying games from them. In the other case it was a much more modern machine that was very difficult to fix. When they were called to come out to fix it at one of his accounts, they told his account that they would not come out to fix the machine unless they would buy \$3,000 worth of tabs from them. These were definite violations that are already covered, but the problem comes when Mr. Curtis makes a report of this he is turned into the bad guy when his accounts tell his customers that Darrell Curtis turned them in. He ends up being damaged more than he already is. He said the danger is that if the Commission allows any kind of exclusivity as far as a paper product for these machines is concerned, someone can go out and manufacture machines and sell them very reasonably to many customers around the state. They can put some gimmick in it such as manufacturing a ticket or having a company manufacture one so that now they would be the only ones who could supply the tickets and could charge whatever they wanted.

Chairman Ludwig asked if there were further questions or comments on this proposed rule; there being none, he said further action would be deferred until the September meeting. The information will be on the August agenda for discussion.

MANUFACTURER and DISTRIBUTOR CREDIT/PRICING

Amendatory Section WAC 230-04-125 – Distributor's representative license (~~(may be reissued when changing distributors)~~)—Restrictions and proedures for changing employment.

New Section WAC 230-12-320 – Manufacture and distribution of gambling equipment and services – Prohibited practices—Gifts, promotional activities, and loans – Exceptions.

New Section WAC 230-230-12-330 – Availability of gambling equipment and related products and services—Prices—Contracts --Discounts—Restrictions—Exceptions

New Section WAC 230-12-340 – Sale of gambling devices, equipment, supplies, paraphernalia, and related services—Credit prohibited—Exceptions.

New Section WAC 230-12-350 – Use of checks to purchase gambling equipment, products, and services—Restrictions

Repealed Section WAC 230-12-200 – Prohibited practices—Contracts—Gifts—Rebates, etc.

Repealed Section WAC 230-30-200 – Punchboard and pull tab business restrictions.

Ms. Tellefson said these rules are up for further discussion today. This package normally would be up for final action next month, but staff will be asking that the discussion be continued until September because that will allow distributors and manufacturers to come to SeaTac to comment. One rule requires that distributor representative licenses become void when they leave employment to ensure that the license is in good standing, it sets forth the limitations on gifts and promotional activities, it clarifies the issues relating to pricing and discounts, and deals with the extension of credit between manufacturers and distributors. It also clarifies restrictions on using checks and prohibited practices. The staff recommends further discussion of this package and has had continued discussions with the industry on these issues. The staff is continuing to accept written comments as well as oral discussion with the industry.

Chairman Ludwig asked if anyone came prepared to comment on this rule.

Mr. Curtis, Tabs Unlimited, passed out a packet for the commissioners to follow along with his discussion. He said it would be difficult for him to be brief because he is trying to save his business as it now exists. He feels that, with the passage of this rule, he will be unable to remain in business. He called attention to the first piece of paper and said that he had presented this two months ago in May and would not go into it again, although he knew that one of the commissioners was new. He said this rule was based on false premises and made no sense. He drew the commissioners' attention to their packet with a copy of WAC 230-12-200. He referred to a letter dated September 20 sent from Commission staff that states, "To all manufacturers; it has come to our attention that some licensed distributors are not timely paying for purchases of gambling equipment, supplies or paraphernalia. We have been informed [Mr. Curtis interjected 'you notice they don't say who informed them'] in some cases manufacturers have unpaid accounts with distributors for purchases that are over 90 days. In fact some of the situations described to us make it sound like inventory is being provided on a consignment basis."

Mr. Curtis said he had no idea where that came from. He said he could only suspect that it came from competing distributors who have been some of the greatest users of credit over the years running to millions of dollars, and now acting as if they are in a cash situation. They don't need credit and by getting something like this passed, they can force a few competitors out of business. He continued, reading from paragraph two, "We have used a period of 30 to 60 days from the date of shipment as a reasonable time period. The failure of distributors to keep trade accounts current causes some concern regarding whether manufacturers are extending credit to distributors, which would violate the WAC rule." Mr. Curtis said they had never had the Gambling Commission tell them they are working on a 30-60 day deal. He said there is nothing in WAC 230-12-200 that prohibits credit. But he said it was quoted in the letter to the manufacturers that it is there. In paragraph three of the letter it asks for information on credit, once again, with the implication there is something wrong with credit.

Mr. Curtis said he hired an attorney who had a conversation with Mr. Bishop in which he asked him why this was coming up. Mr. Curtis's attorney told him that Mr. Bishop said there was a distributor in Eastern Washington who went out of business and that was what was bringing this on. He said that that reasoning was incomprehensible to him because if someone does not pay their bills or is not a good businessman or for whatever reason, he wondered what that had to do with credit. He said it was not because he could not get the same credit as others; it is just that he did not pay his bills. That is why his business failed.

Mr. Curtis referred to a letter to distributors sent by Mr. Bishop that says, "In order to facilitate the flow of products in the supply chain, the staff has allowed what we consider to be a normal trade cycle for purchasing inventory." The letter said that "you have ordered during various times of the month and make full payment when you are billed at the end of the month." He said they had never had that either. And that is not the same as it was in the letter to the manufacturers. He said this is another scenario that does not make sense because they had never had anything like that. He said they sent to Mr. Bishop a five-page summary of their legal analysis of WAC 230-12-200. Their conclusion again was that none of this rule applied to credit in the first place. Then the Gambling Commission staff scheduled a distributors meeting, which he thought was a very tacky meeting. They discussed about four or five problems and each distributor's reasoning was that "if it is good for me, and it is going to hurt my competitors, that's what I want." Nothing for the good of the industry, just if it is going to help them. Nothing constructive or for the good of the industry came out of that meeting and he referred them to their packets to two notes to the WSGC concerning this meeting and in that he expressed his concerns. In January 1997, he had a meeting with Mr. Miller and Mr. Bishop in Olympia in which he explained his situation. He said

that if they did this he would probably be going out of business. Their response was that they thought the meeting was constructive and he, Darrell, had nothing to worry about.

Mr. Curtis said the staff said they understood his problem and they were going to take everything he said into consideration. After six months, the staff decided that it was not covered in the WAC rule, so they wrote a new rule. Now, after six months of working on it, he has a whole new rule that is even more restrictive than anything they had previously discussed. Now it is 30 days credit. He said now he must start all over. He has spent money, he has wasted a lot of time and now they have a whole new rule. This is the rule that was discussed at the Gambling Commission meeting in May, which most of the commissioners attended. At that time, he presented the commissioners with his situation and he also presented them with a legal viewpoint of the situation that he has again given them in this packet. At this meeting he asked them to remember a gentlemen who stood up and said he was representing among others Zanotto's, who he spoke for, Mr. Ed's, Gasparetti's and several other distributors that he had not yet heard back from but he was assuming he also represented them.

Mr. Curtis said that it was obvious in listening to him what he wanted. That was to talk through what the commissioners had said that they were going to start sometime next year. They moved that date forward, cut it from 60 months to pay the bill to 12 months to pay the bill and not let small operators buy small amounts of product at the factory. And they wanted to make sure that plenty of interest would be charged over the 60-month period. He said these people had one thing in mind and that was to put other people out of business. In summary, he wanted to know how a decision could be made on credit. He said if there is a problem with credit it was being based on figures that staff got from the manufacturers 10 months ago. The first letter asking for information was sent out in September. He said a full-scale audit should be done of every distributor in the state and see what their financial situation is before they reach the conclusion that they have a credit problem. Without that, he wanted to know how an intelligent decision could be made without having any more facts. He said there was no reason for doing this other than that Mr. Miller and Mr. Bishop saying that there is a lot of credit and that they are afraid that some factory is going have some influence over some distributors or that some distributors are going to have some influence over some factories. He said credit has been extended for the 15 years he has been in business and he has never seen what they are afraid of happen.

Mr. Curtis said that passing the new rule would put some distributors out of business, it would greatly benefit the distributors who backed the passing of this new rule, and it would create higher prices to the end users. He referred to a summary from his attorney. Then he drew their attention to the minutes of the last meeting where Director Miller was speaking, he said "the Commission has rules that there are no gifts, rebates, or credit of any kind." He said he thought that must be a misstatement or misquoted because Mr. Curtis knows that Mr. Miller realizes and Mr. Bishop also realizes that whether they said so earlier on or not, there is credit from factories to distributors and there always has been and in his opinion there always should be. He read from the May minutes where it said, "Mr. Miller said that he had had many meetings with Mr. Curtis and this is an issue that needs to be fully explored; there's a lot to do and he would sure like to share it with the Commission over a period of time." Mr. Curtis said he hoped Mr. Miller has done that. Then he referred to what Mr. Gerow from Zanottos had to say. He thought some good statements were made such as questions that were asked by Mr. Heavey. He said they didn't have much time to talk about it, but the question was what is the focus – what is the reasoning for doing this? Is it trying to control how people do business? Or is it about gifts through extending credit? Or extending credit that's not paid?

He said that anybody ought to know the difference between credit and a consignment or between credit and a loan of money, or between credit and a gift. He said he did not think there was anyone in the room who had never had credit. He said if he walked up to one of the manufacturers and said he did not want to do any credit this month but would prefer they give him a couple hundred thousand dollars cash, they would think he was crazy. If he asked them to give it to him, they would say they did not give gifts. They would say that they sell it to him on credit, they ask when he is going to pay for it, and that would be what they would expect. He said he has built that up over the years and he would think that is the way any good businessman would operate. If he always pays his bills on time over the years, they are going to give him credit and if they have got a guy that has not paid his bills, he is not going to get such good credit. **Mr. Curtis** said he could not comprehend how the Commission can possibly legislate that.

Chairman Ludwig said that he can tell from Mr. Curtis's comments that Mr. Durkey represents Mr. Curtis, but his letter to Mr. Miller and to the Commission of December 10, 1996, doesn't identify his clients. He wanted to know who the clients were that Mr. Durkey represents. **Mr. Curtis** responded that Mr. Durkey represented him.

Marco Courones, American Pull Tab, said he was one of the distributors who employed Mr. Durkey to begin with until they got their opinions and then he decided to continue his quest on his own. He said Mr. Curtis had a lot of valid points and he is very correct in saying that very successful distributors now do not need the credit help but did at that time. Now they don't want people like Mr. Curtis or himself to exercise the same privilege. But he said he also supports what Mr. Miller and Mr. Bishop have done on this 60-month thing to catch up and even hopefully 90 days because with dollar tickets coming out, their inventories have to expand. There is no doubt in his mind that there is a large cancer in the distributorship industry, which he touched on lightly yesterday. He said it really boils down to just a few distributors who are very powerful and who have been controlling this industry for years by manipulating manufacturers. He said this is one of the reasons why he approached Mr. Miller and said he needed some help.

Commissioner Herbold asked Director Miller if it would be possible for the commissioners to be provided with the data alluded to by Mr. Curtis – the amounts owed by which distributors, to which manufacturers.

Director Miller said that information was provided at the beginning of this process and can be provided again.

Director Miller said he would also like to comment for the record on some of the statements made by Mr. Curtis, who was not at the meeting yesterday. He said they had a very good meeting and his opening statement was for those distributors who came and wrote letters, they indicated that there should be 12-month payoff period and 30 days only. He said he also believes that the motivation was not necessarily the well being of the industry and he made that very clear yesterday. He said the staff was aware of it and it is a tough issue that has occurred over a period of time. He said the agency wants to find a solution that preserves and enhances the industry for the long term. That is the purpose of postponing the matter for more discussion. He just wanted Mr. Curtis to know that they had made that statement. He said they were well aware of some of the motivations that are out there and he is not afraid to say that.

Mr. Curtis asked if this would be discussed at the August meeting and if it would be voted on in September.

Director Miller said it would be discussed at the next meeting as well and if the Commission deems it appropriate to take final action in September, that can be done. They can continue it until October. He said it may be a lengthy debate and there is no time frame.

Mr. Curtis said he will not be able to attend the September meeting and he hopes this could be held over until October.

Commissioner Forrest urged those who will be making oral presentations to the Commission to put them in writing and mail to the staff who would then pass them on to the commissioners. That way, when the oral presentation is made, at least some of the commissioners will be prepared enough to be able to ask good questions and to make the time during oral presentations more productive.

Chairman Ludwig said the meeting in September is in SeaTac and at the October meeting they will be meeting in Leavenworth.

Wes Fultz, Bonanza Press, said he would like to address the part he is most concerned about and which Mr. Curtis alluded to which is the good of the industry. He said the industry is like a chain with each link -- from the distributor to the operator to the player and back to the manufacturer -- is all one thing and one piece of the chain cannot be taken out and say that is not important. He said it is a regulated industry and the Commission is charged with writing the rules and the manufacturers are charged with making the product. The distributor's role is to distribute the product to the operator and the operator's job is to sell the product to the player. He said that from his perspective, the regulation part of this is important. How the rules come down is not the effect; the central cause here is the regulation. It is a question of accepting the fact that this is a regulated industry and if someone does not like to be regulated, then they need to get into another line of work. The nature of the industry requires regulation. This is an issue of making sure the industry is healthy. He said he had been in the business for a long time; there have been a number of crises and each time new regulations must be written. This is one of

those times and it is an issue of making sure the industry is healthy because the distributor is the public, the player is the public, the operator is the public, and the manufacturer is the public. It is something that has to be looked at harshly.

Susan Schultz, Douglas Press, said she agrees with Mr. Fultz 100 percent and she appreciates that Mr. Courones is a distributor who shares the same view that this needs to be cleaned up. She said she has only been in this industry less than two years, but in that time she has observed that if the objective is not to create a forced payment situation, you have to start as Mr. Fultz said, with each link. If there is a rule whereby an operator has to pay a distributor for the product when he receives it, then that distributor already has the money in hand plus their profit but then is not required to pay the manufacturer. And if there is the scenario whereby they are not required to pay the manufacturer, they stock pile inventory, sale prices, it does not matter what it is. She wondered what the scenario would be if there were no rules requiring an operator to pay the distributor. She wondered if there would be problems with the manufacturer. She said she doubted it because no one would have any money. From a business perspective only, she wondered about the statement that Mr. Curtis made that this would force him out of business. She said she does not think the credit card industry feels bad when someone does not pay their bills or feels sorry that they have run people out of business – they do not care.

Ms. Schultz said there has been a lot of caring in this industry because it has been nurtured here for a very long time and people were allowed not to pay. That got everyone into debt and it was a result of a few bad apples and there was a statement made yesterday by someone who said that the rule would force the distributors to operate within their means, raise their prices and operate at a profit. She said now they are forced to operate at such low margins to compete that if one of their trucks breaks down, the cost for repairs results in no profit for that month. She does not think this is an issue that should even be open to debate as to whether there should be a rule on this. She wondered why a manufacturer could not be paid within a reasonable amount of time when the person they sell to is getting his cash up front? She said it seemed straightforward and simple and she does not understand where the debate is. If it is going to force a few people out of business, they are bad business people which does not mean they are bad people, but they have made their mistakes and that is just the way it is going to be. This is a capitalistic society; competition is keen, and that's life.

Mr. Curtis said she should check to see if he pays his bills to Douglas Press before being so harsh about his business practices. He thought she ought to reflect on whether Douglas Press at some point in time borrowed a couple of million dollars from the bank. What if her bank all of a sudden says they were changing the rules and she had to pay all that back tonight, they might not be in any better shape than he would be.

Chairman Ludwig said there was more discussion than was anticipated. He asked if there were any objection to this matter being continued to the next meeting and then possible final action in September. He asked Mr. Curtis to contact staff if that is a problem for him and see if he can get an agreement to set it over.

PETITION TO AMEND PULL TAB RULES

Amendatory Section – WAC 230-30-106

Standards for flares made by manufacturers, distributors and operators.

Ms. Tellefson item no. 5 is a petition by Dennis Zaborac of Totem Tabs Service and rather than reviewing it twice she introduced Mr. Zaborac and let him review his petition for the commissioners.

Dennis Zaborac, Totem Tabs, said that the petition mostly speaks for itself. What they have been saying for the last 25 years is that all games are fair and equal to the player because they all pay out 60 percent. There really should not be much opposition to this petition. They are not asking to change the percentages, they are not asking to change the odds on the games or to limit any type of game that is out there. The only change they want is to give the player a little more information. The reason for this is because they have changed the games considerably. Four and a half years ago when just 4,000 tickets was a maximum amount in a game, there would have been no requirement for this petition. All the games at that point were pretty much equal. They had four standard games – one was a 4,000-count game with four top prizes of \$200. The second game was a 4,000-count game with eight prizes of \$100 – half the prize but twice as many. The third game was a 25-cent game with

\$850 top prizes – half the price, half the prize. The fourth game was 825 top prizes in 2,400 tickets, so half the price, half the tickets. All games were equal – it really did not matter which game the operator chose at that point; the player had an equal chance.

The 60 percent at that point was kind of a controlling pattern that worked. Since then, they have taken the games from 4,000 to 6,000 to 10,000 tickets and what has developed is they are not equal anymore. The attachment on this petition shows the variations in the \$500 games. When they were first introduced, a person's chances of winning a top \$500 – there were three of them. Three of them in 6,000 tickets and the chances were one in two thousand. That lasted for about four months, then they found that they could push out two top prizes – two \$500's in 6,000 – the odds went to one in three thousand. This lasted for about eight months. Then they came to a top prize of a single \$500 in 6,000 tickets. That has been the standard for about two years. Then they came up with 10,000 tickets and his understanding the reason for going to 10,000 tickets was to offer more top prizes. It is a nice idea, but it did not develop. The manufacturers tried to make games with six \$500's with four \$500's. The operators did not buy them; they bought the ones with the \$100's. Then they came up with step-up games where the odds went to one in 10,000 to one in 30,000 to get the top prize of \$500. Those games sold. What has happened – and it is a very important change in this industry – when all the games were equal it really did not matter what the operator bought – they were all fair to the player. The operators choose between the cuteness of the game – whether it is a crazy eight or a zig-zag. That did not affect the player. What happens now is the operator has a chance to choose a game that is best for him which inversely is worse for the player. He said they have come to the point in the \$500's that they do not even want to give out the \$500's.

Mr. Zaborac said that, since the filing of the petition, the newest game to hit the market is 6,000 tickets with one \$400; they do not even have a \$500. The reasoning they are using to allow these games is at 60 percent pay out that means nothing – they take the \$100 off the top prize and they put it in playback. This supposedly makes the game fair. But in this industry only about 25 percent of the tickets are ever sold out of the game statewide. When they take \$100 off the top they are only giving them \$25 back and it is obviously to the operator's advantage. The operator makes the most money by not paying out the top prizes. They have taken away the top prizes from the player. He thinks the check and balance system has been lost. He thinks the idea of the 60 percent originally was to have all the games fair and equal to the player. He does not think there was any intent to let the operators control the market. He thinks it is a conflict of interest; they do not have a check and balance right now.

By putting the odds on the flare, they are giving a little back to the player. Right now his choice is the best of the worst. He may never see that game with the six \$500 top prizes. He is going to choose whatever the operator presents to him. By putting the odds on, they have created a guideline of internal marketing. If the player sees this game at one in 6,000 and he sees a \$500 game at one in 6,000, he is going to go toward that one. A marketing system will be created where if the odds of winning are one in 3,000 on one game and one in 6,000 on the other, the prize better be twice or the player will not buy it. The idea is more risk, more reward. He added that they carried it a little further at the last meeting when they approved the dollar ticket but they did not increase the prize at all. The reasoning for the dollar ticket he thought was the same – to give more top to their prizes. He does not think this is going to develop. He thinks this is a trend where you are not going to have a 50 cent \$500 prize. You are going to end up with paying a dollar for a \$500 prize. He has talked to many people in the industry and he has not found any logical reasons not to do this.

On his pamphlet he pointed out there is no cost. They are just asking that all future games require that the odds be posted. The real cost, if there is any cost, is to the player if we do not do it. There is an argument that the odds when posted are not the actual odds after the first ticket is bought out of it. He is asking them to just state initial odds of winning the prize. They have the ticket counts printed on it and after the first ticket is sold, they do not change that on the flare so there is no difference. People know when they talk odds, it is the initial odds. When they say the odds of winning a lotto are one in seven million, they do not ask how many people are in front of them in line. He thinks that for the industry they have continued to squeeze the player; there is space on the flares for placing the odds. They have taken away the five dollar winners, the ten dollar winner, and at the last meeting they decided to no longer require that the \$20's be marked off the flares, so these have disappeared from the flares -- there is a lot more space there. They finally redesigned the flares on the step-up games and took off five or ten of the prizes that actually could not win because of a lot of empty spaces on those flares. He thinks they have squeezed the player enough; they have not given them anything in the last five years. This is an inexpensive way and it would help monitor this industry and prevent this slide of squeezing the player.

Chairman Ludwig asked if Totem Tab Service is a distributor or manufacturer. **Mr. Zaborac** said he started originally as a pull tab management company. His job is to squeeze the player and he said he probably does it better than anybody in this room right now. **Chairman Ludwig** said he did not understand that. **Mr. Zaborac** said operators hire him to maximize their profit. **Commissioner McLaughlin** asked how he was going to do that.

Mr. Zaborac said they do it up-front. He said they do it by giving the player a fair chance to win and if he walks away, then they take the profit. They do not use the step-up games. He said he approached 80 locations and found 55 owners with whom he spent a long time. He has 50 operators that support what he is asking for and he said this is just a small area in South King County. He said the operators range from \$50,000 licenses to \$2 million licenses.

Chairman Ludwig referred to what Mr. Zaborac discussed about the pull tabs being equal in pay out and originally that 60 per cent was to do that. He said he was curious about it because just a few blocks away from the meeting today, there is a tavern with a sign that says "Highest Pay Out In the State" on pull tabs. **Mr. Zaborac** said that could be relative – it could be highest total dollar pay outs. **Chairman Ludwig** said he must assume that is true at first. He is buying a game that has a higher percentage pay out and advertising it to attract business. He wondered if they would not be able to advertise that if they were all equal. **Mr. Zaborac** said the owner could be talking dollar amount, too. He said he has seen that sign in a lot of places.

Commissioner Heavey wanted to know if Mr. Zaborac is not saying that all should not be equal; Mr. Zaborac is just saying that they should post the odds. **Mr. Zaborac** said all should be labeled. He does not want them all equal, but he thinks they will become equal through the internal marketing. They are not going to be able to put this \$500 in with one in 30,000. He said it was an option to do it, if an operator wants to.

Chairman Ludwig asked if a pull tab is somewhat unique compared to all other forms of gambling that is permitted in this state in that the player visually sees what his odds are. If he can see that fishbowl full and the \$600 or \$500 whatever the top prize is. **Mr. Zaborac** said that would work if they wanted to set standards for bowls but right now bowls are all shapes and sizes. **Chairman Ludwig** said the player sees that. **Mr. Zaborac** said that he could not determine by looking in that bowl how many tickets were in there. **Chairman Ludwig** said he did not mean to debate it, but he said that some people cannot comprehend the figure 8,000 – it is a mathematical number -- but a bowl full of tickets is something you see and it immediately makes an impression. He said he thinks there is a difference with pull tabs.

Mr. Zaborac referred again to what he said before – that there are a many different types of bowls and some of them deliberately try to deceive their perception of those tickets. It is hard to determine by just looking. The idea in marketing is to get that bowl to look like it has fewer tickets. This is part of the marketing – it is not a fair marketing, but it is legal. If the bowl were standardized, he thought the commissioner's argument would have validity to it. The players' chances of winning the top prize are much less than they were four years ago – in a lot of cases, less than half.

Chairman Ludwig asked if his professional occupation is designed to do the same thing. **Mr. Zaborac** said they do it up front by letting the player win. He said they treat their players as friends, not prey. But the trend is that the operators are now controlling what the player plays. He does not think this was the intent and it was not in effect four years ago. If anyone talks to manufacturers, they want 70 percent games, but the operator wants 60 percent games. This gives the player the information needed, he thinks.

Commissioner McLaughlin wondered if the people who are good gamblers and who spend money on it would go to other places if they felt they were being taken advantage of. **Mr. Zaborac** said they do not know because they do not have the odds on it. They put more tickets in it; they create these step-up games where it is almost impossible to determine the odds. And everybody in your neighborhood is using these bad games for the player. He said this is what is happening and what is becoming predominant. Eventually, the \$300's, \$500's aren't around anywhere. He said it did not matter where they go because the operator determines what games are out there now, they are going to see games that are good for the operator and bad for the player.

Commissioner McLaughlin wondered if people would go to the casinos. **Mr. Zaborac** said if they go to the

casino, then they have five dollar tickets and one dollar tickets. There are all types of exotic pull tabs up there right now.

Commissioner Herbold asked if the flare currently states the total number of tabs on it. **Mr. Zaborac** said yes. **Commissioner Herbold** said she assumes that people who buy these pull tabs on a regular basis understand this better than she does, but she wondered if she looked at the flare and it says this is a game that starts out with 6,000 tickets, then she is thinking her chances are one out of 6,000, but the minute any of those tabs are sold, that changes. When she looks at the fishbowl or the box or whatever they are in, the odds are not the initial odds anymore once someone has purchased a ticket. She does not know how many tickets have been purchased, so she is not sure what they accomplish. Because if you already say how many tickets are there, that tells you what the initial odds are and people more astute about gambling know this better than she does and she thinks she has figured it out.

Mr. Zaborac said she could easily on one in 6,000, but on games where there are 12 winners in 10,000 or there are eight winners in 3,546 tickets or there are the step-ups where the odds are three times the number of tickets in the bowl. The idea to make this work is they have to be able to go in and compare – this game has eight \$200 prizes in 10,000; this one has four \$250 in 6,000. To bring out a calculator and do all 30 games there to figure out what is the best bet would require a lot of time. **Commissioner Herbold** said that it changes the minute some tickets are sold. **Mr. Zaborac** said so there is ticket count and they write 6,000 tickets on there. It would state the initial odds of winning. They are trying to create games that have more top tier to begin with.

Director Miller said that the \$500 winner, number one, is not the prevalent game and many operators do not even give \$500 winners because they do not want to get hit for \$500. Many of their smaller operators have a \$100 top tier winner or \$200 top tier winner. They are not required to have a \$500 top tier winner. He said this is very important. His second point was that the statewide average pay out is 69 percent statewide and he thinks that has remained fairly constant for the last five years. Even though there is a 60 percent minimum in the game, some operators do buy higher percentage pay out games. He said it comes down to an issue of labeling. Last year, at the request of Mr. Zaborac -- and it was a very good petition -- it is the first time they had ever put in the number of tickets and he thinks that is now coming into their new flares which is an improvement. He said he also wants to point out they changed the flares for the step-up games as the result of Mr. Zaborac's last petition, as well. He said they have some good factors. He is not sure on this one what the benefit is because he is not sure they are going to push people to go to the higher tier when they do not use the \$500 prizes anyway. Everyone here knows that a lot of them do not. Speaking to Mr. Zaborac, **Director Miller** said he was also told yesterday that the \$10,000 ticket game is on its way out. People are not buying it.

Mr. Zaborac said he understood that, but what they are getting is this is that for 6,000 tickets – there were four \$225's that gave them 8,000 tickets, this is what they got – four \$210's. He thinks the player has a right to know that without pulling out a calculator, the odds in winning this are one in 15 and the odds of winning this are one in 2,000. This is the trend of the whole industry. The player is not getting the chance to win that top prize. He thinks that if they put the odds on there, they will stop that trend. He said it may pay out 69 percent now; this is a new trend and it is gathering momentum and on the dollar ticket he thinks they will see it carried forward.

Director Miller said that if the goal was to have more higher-tier prizes on an individual flare, he wondered if the Commission would be better off considering a rule mandating a certain number of higher-tier prizes as opposed to simply initial odds. That was the goal. **Mr. Zaborac** said the result would be the same. The deal now with two \$500 top tier is there are three \$300's and they will take another \$100 away from them and give them \$25 back in the play back. **Director Miller** said the percentage is still the same. **Mr. Zaborac** said the percentage is meaningless. If percentage were really meaningful, they should put out games with six \$500's that pay out 60 percent. They know the players will play them. But they do not play them because the percentage is meaningless – the odds of that top prize being awarded is what determines the profit for the house. He said he knows that because it is his business.

Commissioner Ludwig wondered if they would pass a rule -- just for the sake of discussion -- that says you cannot pull a game, then the odds would be really true. **Mr. Zaborac** agreed that the percentages would be absolutely true. **Commissioner Ludwig** said Mr. Zaborac would not want them to do that. **Mr. Zaborac** said no, but that would take a lot of the guess work out of it.

Ric Newgard, Seattle Junior Hockey, said they sell more pull tabs than anyone in the state. He said he has been in this business for 20 years and their philosophy is there have to be winners to have players. When a lot of people do not win, they do not come back. But if a lot of people win, they will come back. The gaming industry is about winning, which is why they come. Pull tabs are like a retail product. In a retail store it is not wise to put something on your shelf that will never sell and leave it there hoping maybe someday it will sell. A retailer puts out what the customer wants, and what the customer wants is multiple winners. They could care less about the big \$500, which is a great carrot dangling, but what they want is a set that has 10 \$100 winners or eight \$200 winners. To put odds for that top prize is not what the customer is looking for; the customer is looking for how many winners are in that set and how often they can win. They have the 60/40 rule and, like Director Miller mentioned, the average payout is 69 percent, so they go way beyond that. With the clear tanks, the customers can figure out their odds. He said Commissioner Herbold made a perfect point, that when they walk up there and they can look in there and they can see half the tabs are gone and their odds are better on playing that set. If they were in black boxes, that would be a problem. The top prize is not the key. The number of winners is key. They increased the number of tabs from 4,000 to 6,000 so they could have more \$200's more \$100's. He said that anyone who does not believe you must have winners to have players will not stay in business long.

Clyde Bock, Mr. Ed's Bingo Supply, said he finds it interesting that some of the pull tab organizations that are in business to help organizations make more money talk about making sure the public knows what is going on, but yet, what they will do is to tell an operator – as soon as you make a \$100 in this set, we will pull it because the player has made his money. In effect what is being said here is that we want the player to know but it is also being said that this is gambling, that as soon as the player gets ahead then it will be pulled because they don't want the risk, because now the odds are changed. There are cross-purposes here. This is a player-driven market and the players are not going to buy it if it's not fair and then the product is dead. But unless there are new ideas coming in, the industry will never get anywhere. There are a lot of things that an operator does, but he has never seen any of them defraud the player because without players they are dead and gone.

Gary Curry said he is a distributor representative who sells the tickets. He works with Mr. Zaborac and said he does a very good job of making money for the houses. He thinks he is correct in the fact that as the industry evolves, the gambling industry takes prizes away from the players. He said as they progress, that little kitty game becomes more and more prevalent. There are 8,000 tickets with \$200 winners and then there is a 6,000 with \$250. That is very relevant whether it is discussed or not. He believes the 8 \$200's are the ones that pay out more money. His business is predicated on whether the guy wins once in awhile. He cannot walk away a loser all the time. He said many of the games that are being presented now are not that way. They are dedicated to taking in \$50 to \$60 and pulling the game out to go on with the next game.

Mr. Courones, American Pull Tab, said that whenever he has a customer who asks for help in making more money, they review his games and suggest that he carry higher percent games than 60 percent. Again, there must be winners to have players. It is that simple. The people at the bingo hall probably do it as good as anyone does. He thinks the industry is fantastic. He said Director Miller and his staff have kept it clean and he has a hard time seeing 30,000 odds when there are only 6,000 tickets in there. He does not understand that arithmetic.

Director Miller said he thought that the odds Mr. Zaborac was referring to were the new step-up games where there may be 6,000 tickets but the top jackpot is one in five, so there is a chance to progress. The odds actually increase more than the tickets. He wanted to point out they have paid out an average overall in this industry of approximately 69 percent. He said to keep in mind they do 1.6 million games, which is three times the volume of any state in America. He thinks it has been that amount for the last five years. If they have taken prizes away, the first question he would have is why that percentage has not dropped. He would like some feedback on that later because it seems to him like the overall payout to the players is the same. He thinks it is important to keep the public protected, but they do put the number of tickets now in the game on the flare. He does not know what more is needed than the number of tickets there. The new machines come out and show the number of tickets left in a machine. That is the most accurate system in the country that they developed. As far as odds, one out of so many he is not sure creates an advantage and he is not sure he sees it, but appreciates the point.

Chairman Ludwig thanked those who commented today and said this is an intriguing proposal that they will be studying again next month. In the absence of any objection, he said this would be continued to August agenda in

Wenatchee.

PULL TAB RULE

Amendatory Section WAC 230-30-045 – Pull tab series with carry-over jackpots—Definitions--Requirement

Ms. Tellefson said this item is up for filing today. This is a new section WAC 230-30-045 and it was discussed at last month's Commission meeting. The staff has put together a rule to set forth the regulations and standards for operating carry over pull tab games, which have jackpots that carry over. This rule encompasses staff's initial work and after discussion in the study groups yesterday there will be some other changes that staff will bring forward for the next Commission meeting. At this time staff is asking that the commissioners file this version of the rule.

Director Miller said there are two manufacturers, Wes Fultz of Bonanza Press (who will be sending them a game and they have asked for a product of this) and maybe Sue Schultz of Douglas Press will too. They will be giving the commissioners a complete demonstration of how this works product in September. They will pull the game and carry over the jackpot and give a complete hands-on visual presentation. He thinks it is very important to see how this system is going to work.

Chairman Ludwig asked if a public hearing is done on a proposal for filing. **Ms. Tellefson** said typically the issue at hand is whether anybody opposes filing of the rule, but he could take substantive comments if he wishes.

Chairman Ludwig asked if anyone cared to comment on the proposed filing. No one came forward.

Commissioner Forrest moved that the proposed rule be filed for further discussion. **Commissioner McLaughlin** seconded the motion. *Vote taken, motion carried with four aye votes; Commissioner Heavey was excused.*

BINGO RULES

Amendatory Section WAC 230-20-192 – Standards for disposable bingo cards—Definitions
Amendatory Section WAC 230-20-240 – Bingo Equipment to be used

Ms. Tellefson said these are two rules that are up for filing today as well. They are housekeeping rules that have to do with keno bingo and they are amendments to existing rules. Staff recommends filing for further discussion.

Commissioner Herbold asked about what keno bingo was and said she could not find a definition of player selection games. **Ms. Tellefson** said it was a game where the players are allowed to pick their own numbers on a card as opposed to a predetermined card and it uses a different number of balls. Keno bingo is just another way of playing bingo. It is a marketing tool to attract customers to play a different type of game.

Commissioner Herbold asked why exemptions would apply to those. **Ms. Tellefson** said that was because the cards are not predetermined. The numbers are selected by the players themselves as opposed to preprinted by the manufacturer. **Commissioner Herbold** said it was her understanding that the opportunity for fraud or abuse is gone because the player consciously chooses the particular selection of numbers or card.

Chairman Ludwig asked if anyone had comments prior to filing for further discussion. He suggested taking both of the housekeeping rule proposals together as items 7(a) and 7(b).

Commissioner Herbold moved that Items numbered 7(a) and 7(b) be filed for further discussion. **Commissioner McLaughlin** seconded the motion. *Vote taken; motion carried with four aye votes; Commissioner Heavey was excused.*

PETITION TO AMEND CARD ROOM RULES

Recreational Gaming Association

Ms. Tellefson said this was on the agenda last month but was not filed. The Recreational Gaming Association has asked that it be carried over to next month; they are not asking that it be filed and they have withdrawn it for this time.

Chairman Ludwig asked if there were any objection to carrying the petition over until next month. There being no objection, he said it would be placed on the August agenda in Wenatchee.

COMMENTS FROM PUBLIC OR PUBLIC OFFICIALS OR BOTH/GENERAL DISCUSSION

Chairman Ludwig asked if anyone in the audience had any comments or if there should be general discussion and other business. No one came forward. He called for a short recess and then an executive session that will not be followed by any further public business. The executive session is to discuss pending litigation with Mr. McCoy, and then to interview director candidates.

Meeting adjourned.

NOTE: THESE PRINTED MINUTES PLUS THE TAPES CONSTITUTE THE FULL MINUTES.

Susan D. Green
Executive Assistant

